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The Changing Labour Market Prospects of Refugees in Canada

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The Changing Labour Market Prospects of Refugees in Canada

by
Centre for International Statistics at
Canadian Council on Social Development

for
Strategic Policy, Planning and Research

September 1999

The opinions and interpretations expressed herein are those of the author and do not necessarily reflect the views of Citizenship & Immigration Canada

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EXECUTIVE SUMMARY

Earnings in the first full year after landing

- The average earnings of refugees in the first full-year after landing have declined noticeably among cohorts landing since 1988. This decline is evident even when the effects of the business cycle are taken into account. For example, at the low-point of the 1982-83 recession, government assisted refugees with paid employment had average earnings of $10,534; at the low-point of the 1991-93 recession, the comparable group of refugees had average earnings of $6,260 -- a decline of $4,274. (All money figures are in constant 1995 dollars[1]). The same trend was evident among privately sponsored refugees and refugees landed in Canada, although the declines were not as large.

- Through the 1980s there were noticeable differences in average earnings (upon landing) across age groups. However, through the 1990s average earnings across age groups converged, and the earnings "premium" found among individuals in older age groups all but disappeared.

- Likewise, through the 1980s the average earnings (upon landing) of refugees with post-secondary credentials were far higher than those of individuals with high school or less. Among cohorts who landed in the 1990s, the "premium" associated with higher education decreased considerably. It appears that regardless of various aspects of human capital, refugees in more recent cohorts have not fared as well in the labour market as earlier cohorts.

- The average earnings of refugees (upon landing) have deteriorated relative to all tax filers. For example, in 1980s the average earnings "gap" between all tax filers (aged 35 to 44) and recently landed government assisted refugees in the same age group was approximately $18,600. By 1992 the gap had risen to $25,100 -- an increase of $6,500, or 35 per cent.

Earnings in subsequent years

- Generally, average earnings rise markedly in the first two years after landing, with gains somewhat more modest between years three and five.

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- Compared to earlier landing cohorts, the average earnings of more recent cohorts have declined, not just upon landing, but also at subsequent points. This suggests that labour market assimilation may be becoming more problematic for refugees and raises concerns about whether more recent cohorts will be able to achieve earnings comparable to those of previous cohorts.

- Government assisted refugees in the 1982 cohort had average earnings of approximately $18,900 three years after landing. Government assisted refugees in the 1992 cohort had average earnings of $10,900 at the three year point -- a decline of $8,000.

- The earnings gap that exists between all tax filers and refugees upon arrival is being closed more slowly now than in the early 1980s. Refugees who landed between 1982 and 1985 closed well over one-half of the initial earnings gap (vis-a-vis all tax filers) in the first five years after landing. Refugees who landed in the late 1980s closed only about 20 to 30 per cent of the initial earnings gap.

Self-Employment

- Since 1980, there has been a significant increase in self-employment among refugees upon landing. For example, two per cent of the 1980 refugee cohort received self-employment income in the year after landing; this was the case for over 8 per cent of the 1992 cohort.

- Self-employment has risen most among privately sponsored and landed in Canada refugees, and least among government assisted refugees. Self-employment activity among refugees is most prevalent among men, individuals aged 35 to 44, and individuals with higher levels of education. However, self-employment has become more prevalent among refugees in both sexes and in all age groups and educational categories.

- The increase in self-employment has been evident not just upon landing, but also in subsequent years after landing.

Unemployment

- Utilization of Unemployment Insurance (UI) by refugees varies considerably over time. Incidence of UI receipt is quite low upon landing and, to a lesser degree, in the first full-year after landing. This is likely because at this point refugees have not accumulated enough weeks of employment to quality for benefits and because government assisted refugees receive income support through the federal government's Adjustment Assistance Program (AAP). Incidence rises sharply in the second full year after landing and declines in subsequent years as individuals develop more secure attachments to the paid labour force.

- Refugees who have been in Canada for approximately 12 to 14 years have rates of UI utilization comparable to the Canadian average.

- The incidence of UI receipt declined noticeably among all cohorts of refugees between 1992 and 1995. This decline is somewhat surprising given that unemployment rates were persistently high during this period and refugees were not faring well in the labour market at this time (as evidenced by declines in average earnings). Moreover, the incidence of UI receipt was far lower among refugees than it was during the recession of the early 1980s. Changes that were introduced to the Unemployment Insurance program (renamed Employment Insurance in December 1995) may account for part of this trend. The decline in the incidence of UI benefits corresponds to a marked increase in the receipt of social assistance benefits. In this context, the impact of UI program changes on refugees is an important topic for future research.

- UI benefits received by refugees are quite low, on average, in the first year after landing, and rise in subsequent years. This reflects low earnings upon landing (and hence low insurable earnings) and earnings gains achieved in subsequent years. After six to eight years in Canada, government assisted refugees who landed in the early 1980s had UI benefits comparable to those of all tax filers. Benefit levels were somewhat lower among privately sponsored refugees and consequently it took them longer to reach the average of all tax filers.

Social Assistance

- Upon landing, approximately 60 per cent of all refugees receive social assistance (SA). This share ranged from a high of 67 per cent in 1993 to a low of 56 per cent in 1995. Social assistance figures include benefits from provincially administered programs as well as benefits paid out through the federal government's Adjustment Assistance Program (AAP). The AAP is an income support program that provide benefits to government assisted refugees during the first year after landing. For taxation purposes, there is no distinction between income received from AAP and income received from other social assistance programs.

- The incidence of receipt varies dramatically across classes of refugees. It is highest among government assisted refugees (who receive income from the Adjustment Assistance Program) and lowest among privately sponsored refugees. As refugees reside in Canada over time, differences between classes decline.

- The incidence of SA receipt is highest among refugees in older age groups (those 45 to 54 upon landing). This is likely attributable to the particular difficulties older workers face when seeking paid employment. A larger share of refugees in the 45 to 54 year age group

were receiving SA in 1995 than in 1992. Among refugees in other age groups, the incidence of SA receipt in 1995 was about the same, or somewhat lower, than it had been in 1992.

- Refugees with less than high school are far more likely to receive SA than those with a university degree. This relationship is most apparent among cohorts who have been in Canada for several years. This is probably because individuals with post-secondary education have had time to gain recognition of their credentials and find jobs that match their training, while individuals in more recent cohorts have not had time to do so.

- In refugee cohorts that landed between 1988 and 1990, women were slightly more likely to receive SA benefits than men. However, this pattern was reversed by 1992 when the share of men receiving SA began to exceed the share of women. This difference reached about 20 pecentage points within the 1994 and 1995 landing cohorts.

- Among refugees landing since 1990 there has been a marked decline in the share of men and women receiving UI benefits and a marked increase the shares receiving SA.

- Refugees who landed in 1991 and 1992 have far high incidences of SA utilization than refugees who landed in 1989 and 1990. For example, even by 1995 -- after individuals in the 1991 and 1992 cohorts had resided in Canada for three to four years -- over one-half of them were still receiving income from SA compared to about one-third of refugees in the 1990 cohort (36 percent). This may suggest that labour market adjustment has been particularly difficult for refugees who landed during the depth of the recession.

- Relative to privately sponsored refugees, SA utilization increased significantly among government assisted and landed in Canada refugees.

INTRODUCTION

One component of a successful immigration strategy is the ability to integrate new Canadians into the labour force. Failure to do so results in many costs -- costs to society in the form of underutilized labour and increased expenditures on income support, and costs to immigrants in the form of lost earnings. In this context, the assessment of labour market adjustment is an important step in ensuring that the benefits of immigration are realized. With the implementation of the Longitudinal Immigration Data Base (IMDB) by Citizenship and Immigration Canada and Statistics Canada, a powerful new tool is available to examine the adjustment process of new Canadians.

The purpose of this paper is to examine changes in the income characteristics of immigrants who landed in Canada during the years 1980 to 1995. The focus is on humanitarian immigrants, or refugees. Preliminary research suggests there have been many changes in the income characteristics of this group over the past 15 years and that they may not be faring as well in the labour market today as they were in the early 1980s. Evidence presented in this paper confirms this hypothesis.

The paper is divided into four main sections, each one covering a specific source of income. In the first section, the wages and salaries earned by refugees upon landing and in subsequent years after landing are examined. Comparisons are drawn between successive landing cohorts of refugees and also between refugees and all tax filers. The analysis indicates that the labour market prospects for refugees -- at least as measured by average earnings -- have deteriorated markedly since the late 1980s. Compared to their predecessors, recent landing cohorts have far lower earnings upon landing and in subsequent years, with this trend evident across age groups, education levels, sex and class of refugees. It appears that regardless of various aspects of "human capital" refugees have not fared particularly well in the 1990s. When comparisons are made with all tax filers, we find that more recent cohorts of refugees face a larger earnings gap upon landing, and are experiencing slower rates of earnings growth in subsequent years than was the case with earlier cohorts.

In the second section of the paper, the self-employment activities of refugees are examined. This section documents a tremendous increase in self-employment activity found among refugees over the past 15 years. Self-employment is positively associated with a number of factors, including age, sex, education and class of refugee. One might speculate that more refugees are becoming self-employed because they are not have much success entering the labour force through paid employment.

In the third section of the paper, the benefits received by refugees through the Unemployment Insurance program (now Employment Insurance) are examined. Broadly speaking, utilization of this program by refugees varies considerably from the time of landing through subsequent years, reflecting low earnings in the initial years after landing and more

secure attachment to the labour force in subsequent years. What stands out in this analysis is the extent to which the incidence of UI receipt declined among refugees between 1992 and 1995. This decline, which is evident even among recently landed cohorts, is surprising given that unemployment rates were persistently high during this period and refugees did not fare well in the labour market at this time. The potential impact on refugees of changes to the UI program are discussed in this context.

In the final section of the report, the utilization of social assistance (welfare) among refugees is examined. Evidence indicates that utilization of social assistance has increased significantly since 1991, particularly among government assisted refugees.

METHODOLOGY AND DATA SOURCES

Over the years, there has been considerable research on the labour market and income characteristics of immigrants in Canada. Generally this work has been undertaken using data from various years of the Census, and from other Statistics Canada's micro data bases, such as the Labour Market Activity Survey (LMAS) and Survey of Consumer Finances. While these data bases have yielded important insights on the activities and characteristics of immigrants, they have three major limitations. First, they do not allow researchers to disaggregate "immigrants" into specific classes -- including economic immigrants, family class immigrants and humanitarian immigrants (refugees). There are major differences between these groups and, as we will see below, within these groups. By treating immigrants as a single group, much is concealed. Second, while these data bases provide information on the year immigrants "arrived" in Canada, this information is usually categorized into fairly broad five or ten year periods. Consequently, it is not possible to examine characteristics or behaviours of immigrants in more narrowly defined landing cohorts. As will be shown below, there are significant differences in the characteristics and experiences of immigrants landing in successive years. The importance of such changes may be easily lost when analysis is focused on immigrants who landed, say, between 1981 and 1986. Finally, most of the surveys noted above are not longitudinal and do not provide information on the same immigrants over time. Moreover, those surveys that are longitudinal, such as the LMAS, tend to cover relatively short periods of time (two to three years), making it difficult to assess issues such as labour market adjustment after landing.

The new Immigration Data Base (IMDB), constructed by Citizenship and Immigration Canada and Statistics Canada, overcomes all of these limitations. The IMDB contains longitudinal information on over 1.5 million of the 2.6 million immigrants who landed in Canada in the years 1980 to 1995 inclusive. Information is available for individuals in each successive landing cohort who have been identified as having file a tax return (T1) at any time between landing and 1995. This information can be disaggregated into 16 different immigrant classes. Overall, the IMDB includes data on about 55 per cent of all immigrants that landed between 1980 and 1995. Table One in the Appendix shows the total number of refugees who landed in each of these years and the proportion included in the IMDB in each subsequent year after landing.

The IMDB combines administrative records from the Landed Immigrant Data System (LIDS) and from the T1 General tax returns (the Longitudinal Administrative Data Base (LAD)). The LIDS contains information collected from the *Immigrant Visa and Record of Landing* at the time of landing. It includes demographic data (such as age, sex, country of birth, citizenship, mother tongue and intended destination), program data (such as immigrant category, principal applicant code and employment status) and personal attributes (such as intended occupation, years of schooling, level of education, and self-assessed knowledge of an official language).

Linked to the LIDS data is information for immigrants who have filed tax returns for any year between 1980 and 1995. Included is information on province of residence, marital status, income received from the labour market (e.g. wages, salaries and self-employment), capital markets (e.g. investments), and government administered programs (e.g. Unemployment Insurance, Social Assistance and Canada/Quebec Pension Plans).

Because the IMDB includes information on *immigrant taxfilers* and not the entire immigrant population, the issue of representative arises. More specifically, does the entire immigrant population behave in the same manner as the sample of taxfilers included in the IMDB? In separate studies undertaken by Citizenship and Immigration Canada and the province of Quebec, researchers have concluded that representativeness is not a problem and that conclusions drawn from the sample of taxfilers in the IMDB are generalizable to the broader immigrant population.

In addition to the IMDB, information on all tax filers (not just immigrants) have been drawn from Revenue Canada's publication *Taxation Statistics* (sometimes called "the Green Book"). This was done so that, where possible, comparisons could be drawn between immigrant tax filers and the total population of tax filers.

Throughout this paper, the unit of analysis is the "landing cohort". Sources and amounts of income are examined in various years for the cohort as a whole (e.g. refugees who landed in 1985). It is important to keep in mind that while all individuals in the cohort landed in the same year, not all of them necessarily filed a tax return for each and every year included in the analysis. Thus, the composition of cohorts is subject to some variation over time.

EARNINGS: WAGES AND SALARIES

THE EARNINGS OF REFUGEES UPON LANDING

One dimension of labour market integration is the extent to which the earnings of immigrants *at the time of landing* fall short of the earnings of Canadian-born individuals. The "entry effect", as this has been called, is expected to be negative "...reflecting the depreciated value of human capital that is specific to the origin country, the difficulties immigrants may initially have in communicating in Canada, a possible lack of information among Canadian

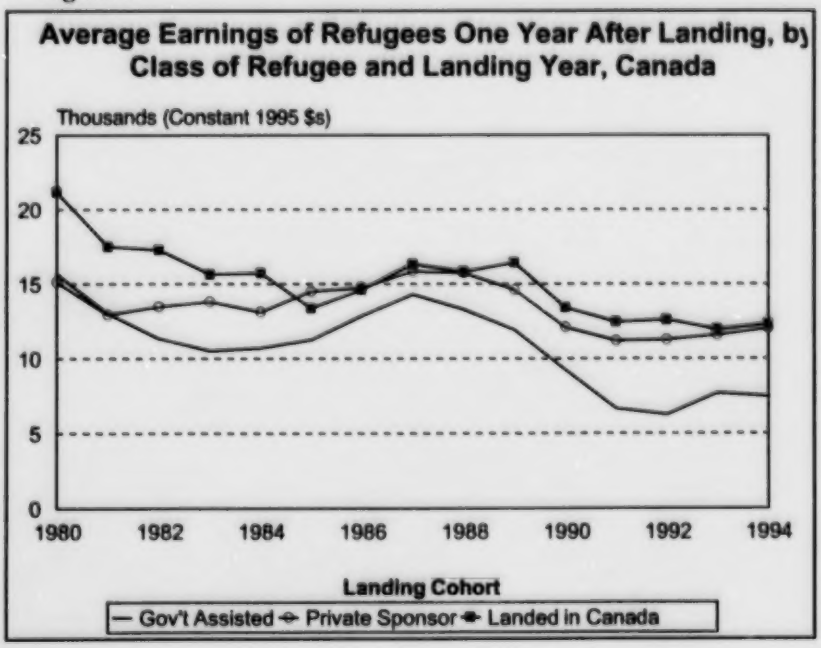
employers concerning immigrants' credentials and qualifications, the possibility of relatively more labour market discrimination against new immigrants, and a lower reservation wage for immigrants" (Bloom et. al. 1995: 991). In short, it is expected that upon arrival, immigrants will earn less than Canadian-born workers. In addition to comparing earnings between recent immigrant arrivals and Canadian-born workers, the "entry effect" can also be examined by comparing average earnings of immigrants in successive landing cohorts. By doing so, we can determine whether more recent landing cohorts are faring better or worse in the labour market than their predecessors. This is our starting point in this section.

The "Entry Effect": Comparing Landing Cohorts

Evidence from the IMDB indicates that more recent landing cohorts of refugees have fared worse upon arrival than refugees who landed in the early- to mid-1980s. More specifically, average earnings upon landing have declined noticeably since 1988, with this trend evident across sex, age group, education and refugee class.

Figure 1 shows the average earnings of refugees (in constant 1995 dollars[2]) during the first full year after landing.[3] A separate line is presented for each of the three refugee classes. Several points are worth noting. First, the impact of the business cycle is certainly apparent, as average earnings were highest during periods of economic growth (1980-1981 and 1985 to 1988) and lowest during periods of economic recession (1982-1984 and 1991-1993). It is not surprising that the economic climate faced by refugees upon arrival has a considerable impact on their earnings prospects. Second, when average earnings are considered at comparable points in the business cycle, a significant decline across cohorts is evident. For example, at the low-point of the 1982-83 recession, government assisted refugees who had paid employment earned, on average, $10,534; at the low-point of the 1991-93 recession, the comparable group of refugees earned an average of $6,260 -- a difference of $4,274. The

Figure 1

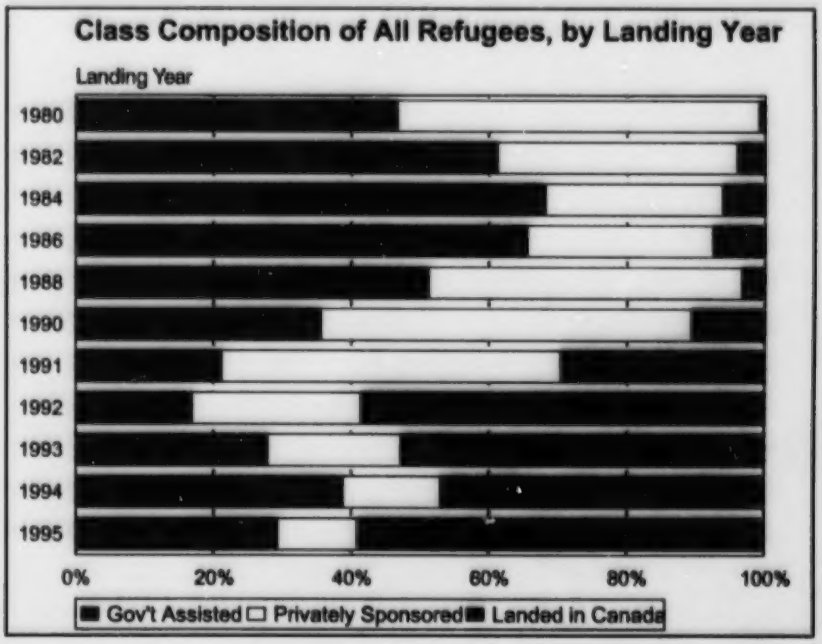


same trend was evident among privately sponsored refugees and refugees landed in Canada, although the differences were not as large. Overall, recently landed refugees fared more poorly through the recession of the 1990s than they did through the recession of the 1980s.

One possible explanation for the decline in average earnings is that there has been a noticeable change in the characteristics of refugees landing in Canada. The composition of more recent cohorts may differ from early ones in terms of sex, age, class, education and other factors. These differences may be associated with lower levels of "human capital" and translate into lower earnings in the labour market.

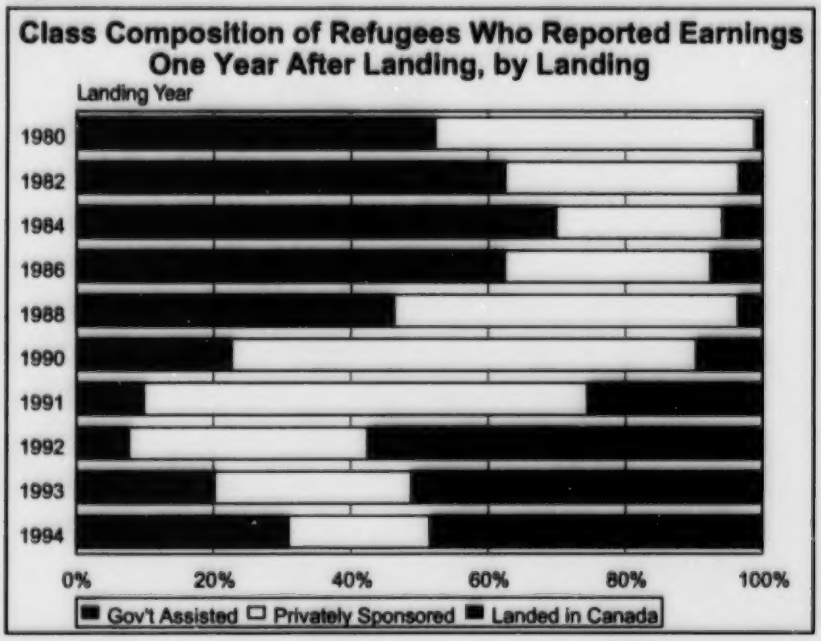
In this context, it is interesting to note that the downward shift in average earnings corresponds to a major shift in the class of refugees entering Canada. The class composition of cohorts landing in Canada between 1980 and 1995 is shown in Figure 2 (this chart was calculated using data from the LIDS). In 1980, "refugees landed in Canada" accounted for less than one per cent of all refugee landings while government assisted and privately sponsored refugees accounted for 47 and 52 per cent respectively. Through the mid-1980s, most refugees were government sponsored (about one-half to two-thirds). This situation changed dramatically beginning in 1990, when the share of "refugees landed in Canada" increased to 11 per cent of the total. This share rose to 30 per cent in 1991, and to 59 per cent in 1992. In short, there was a profound change in the class of refugees entering the country.

Figure 2



This compositional shift was reflected in the class of refugees filing tax returns. Figure 3 shows the class composition of refugees who reported earnings one year after landing (this chart was calculated using data from the IMDB). "Refugees landed in Canada" accounted for only a small fraction of all such tax filers through most of the 1980s, but accounted for the majority by 1992.

Figure 3



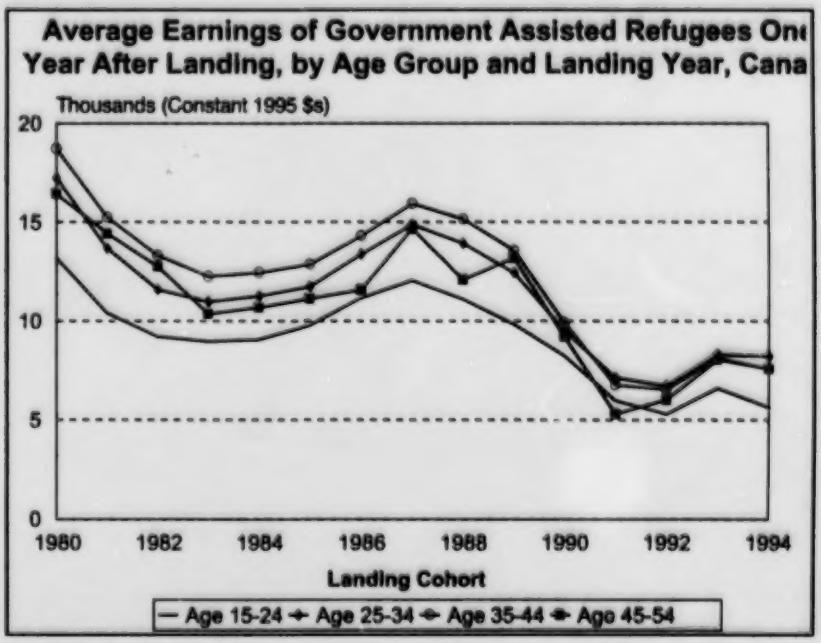
Given the correspondence between changes in the class composition of refugees and the downward shift in earnings, one might expect that the former caused the latter. That is, one might expect that the decline in average earnings occurred because more refugees were in the "landed in Canada" class, and as such had a different set of characteristics than government assisted and privately sponsored refugees. Preliminary evidence suggests this is not the case. In terms of sex, age and educational characteristics there are only modest differences between the three classes of refugees. Moreover, the downward shift in earnings has been evident among all three classes of refugees. In other words, the decline in earnings has not been unique to the growing number of refugees entering via the "landed in Canada" route, but has been evident within the other two classes as well.

Aside from class of refugee, other changes in the characteristics of refugees may account for the decline in average earnings upon arrival. Earnings are associated with many factors, including sex, age and education. If more recent landing cohorts had been disproportionately

comprised of women, youth or individuals with low levels of education (groups that tend to have low earnings), one would expect to find a decline in average earnings over time. However, evidence indicates that this has not been the case, as there have been only modest changes in the composition of refugees along these dimensions. Furthermore, declines in average earnings upon landing remain even when sex, age and education are taken into account.

Figure 4 shows the average earnings of government assisted refugees in different age groups (age at the time of landing). Through the 1980s, there were noticeable differences in average earnings across age groups. Individuals aged 35 to 44 had the highest average earnings, while those aged 15 to 24 had the lowest. Individuals aged 25 to 34 and 45 to 54 fell between these extremes. What is particularly striking is the extent to which the average earnings of individuals in all age groups converged through the 1990s. The earnings "premium" previously found among individuals in older age groups all but evaporated. The same pattern of convergence was evident among refugees who were privately sponsored and landed in Canada (see Figures 4B and 4C in the Appendix).

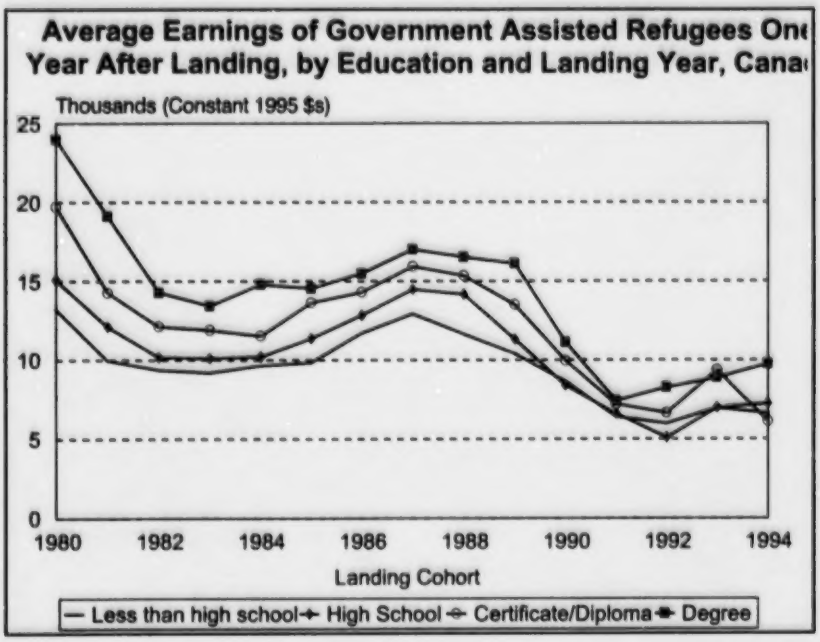
Figure 4



The convergence of average earnings was also evident across different levels of educational attainment (see Figure 5). Through the 1980s, the average earnings of refugees with post-secondary diplomas, certificates and degrees were far higher upon landing than the earnings

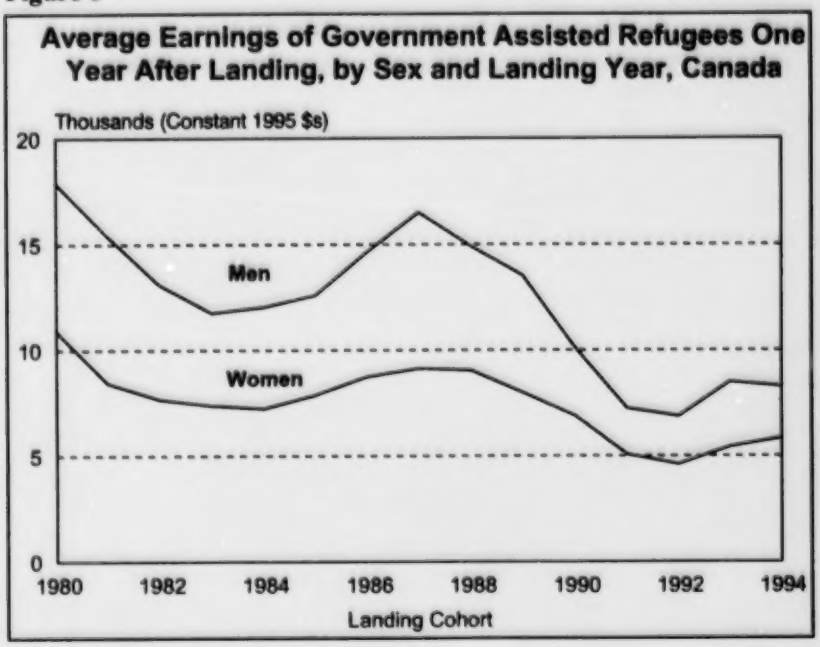
of refugees with high school or less. Through the 1990s, average earnings converged across educational categories and the "premium" associated with higher education decreased considerably. For example, in 1984, a recently landed government assisted refugee who had not completed high school earned, on average, approximately $9,700. A government assisted refugee with a university degree earned approximately $14,800 -- a difference of about $5,100. By 1994, the difference in average earnings between these two groups had declined to $2,800. The same pattern of convergence was evident among refugees who were privately sponsored and landed in Canada (see Charts 5B and 5C in the Appendix).

Figure 5



Finally, the same pattern of convergence has been evident across gender. The size of the "gender earnings gap" narrowed considerably among government assisted refugees (see Figure 6) and, to a lesser extent, among privately sponsored and landed in Canada refugees.

Figure 6



Overall, the labour market prospects for refugees upon landing -- at least as measured by average earnings -- have deteriorated markedly since the late 1980s. Compared to their predecessors, recent landing cohorts have far lower earnings in the first full year after landing. This trend has been evident across age groups, education levels, sex and class of refugees. It appears that regardless of various aspects of "human capital" (age and education), refugees have not fared well in the labour market.

Of course, there are many factors in addition to age, sex and education that have an impact on earnings. Knowledge of an official language, province of residence, and country of origin are three variables that warrant scrutiny and should be the starting point for further research using the IMDB. Declining earnings may be attributable to a lack of knowledge of English or French among more recent cohorts of refugees, or to a range of other factors associated with country of origin. For example, refugees from Eastern Europe may have (or be perceived by prospective employers to have) the skills, training and/or work experience sought by businesses in Canada, while refugees from developing countries may not. In this context, a shift from Eastern European to, say, African source countries could account for the declining labour market prospects of more recent landings. Similarly, if a greater share of more recent cohorts were comprised of visible minorities, labour market discrimination could be a factor underlying declining earnings.

The findings presented in this report pertain to refugees only -- immigrants in the economic and family classes are beyond the scope of the study. However, the evidence presented on refugees thus far confirms findings that have been reported elsewhere in the literature. Other researchers have examined the "entry effect" among immigrants (including economic class, family class and refugees) using data from various years of the Census. Researchers have reported that upon arrival, the earnings of immigrants who arrived in the 1970s and 1980s have declined relative to earlier landing cohorts. For example, Bloom, Grenier and Gunderson report "...a clear pattern of increasingly lower earnings at the time of entry for more recent cohorts...." (Bloom et. al. 1995: 995) and a similar finding is reported by Baker and Benjamin (1994). These authors suggest that one factor that may account for this trend is the declining share of immigrants entering Canada through the economic class and the increasing shares entering through the family class and humanitarian class. The evidence presented here suggests that this is not the whole story, since a decline in average earnings upon arrival is evident *within* classes of humanitarian immigrants as well.

It remains to be seen whether the declining labour market prospects faced by refugees in the first half of the 1990s will be reversed in the coming years. Once additional years of data are included in the IMDB, we will be able to assess whether the decline in average earnings has been just a short-term response to the recession, or a more permanent, structural change in the labour market position of refugees. The current data provides mixed signals on this issue. Figures 4 and 5 suggest there has been some improvement in the average earnings of more recently landed (1994) refugees, particularly those with university degrees. However, even among the 1994 landing cohort, average earnings among those with higher levels of educational attainment were still well below the average earnings realized by earlier cohorts.

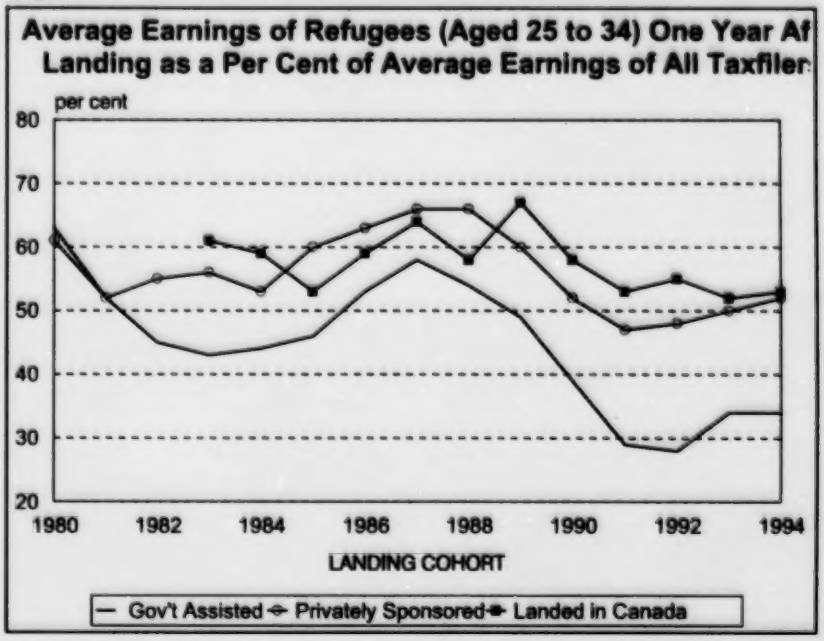
A final note of caution on over time analysis of earnings is warranted. In 1990, the Good and Services Tax (the GST) was introduced, along with a GST rebate available to low-income individuals. Because individuals must file a tax return in order to collect a GST rebate, this change in tax policy provided low-income individuals with increased incentive to file a tax return. This would have also increased the number of tax filers with low earnings and exerted a downward pressure on average earnings.[4] The extent to which this accounts for the decline in earnings among refugees through the 1990s cannot be isolated. Further research into this issue is necessary. One possible approach would be to limit analysis to individuals who filed a *taxable return* (defined as individuals who owed one dollar or more in federal taxes). Such a strategy would exclude individuals who filed a tax return simply to obtain a refundable tax credit. However, this approach raises other questions regarding comparability over time, since the share of low-earning tax filers with taxable returns declined significantly in 1988 with the implementation of the tax credit system.

The "Entry Effect": Comparing Refugees with All Tax filers

The earnings of all tax filers is another benchmark against which earnings of recently landed refugees can be compared. Such a comparison is worthwhile since it enables us to assess whether the labour market prospects of recently landed refugees have improved or deteriorated relative to the general population.

Information on average earnings of all tax filers within specific age groups has been obtained from Revenue Canada's publication, *Taxation Statistics.* Comparisons of average earnings within age groups were then made between recently landed refugees and all tax filers. The results are shown in Figures 7 and 8. Overall, the relative position of recently landed refugee has deteriorated in recent years. As shown in Figure 7, during the recession of the early 1980s, government assisted refugees aged 25 to 34 had earnings which were, on average, about 45 per cent of those received by all tax filers. During the recession of the early 1990s, average earnings had declined to less than 30 per cent. Declines in the relative positions of privately sponsored and "landed in Canada" refugees were also evident, although these declines were of a smaller magnitude. (Sample size was too small to provide reliable estimates for the "landed in Canada" class of refugees for 1980 through 1982.)

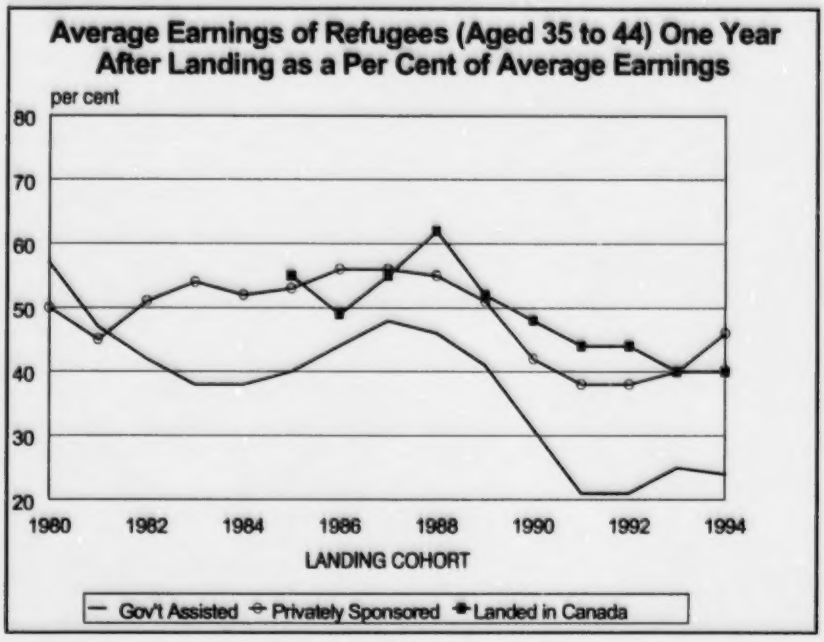
Figure 7



The decline in the relative earnings was particularly evident among refugees aged 35 to 44 (Figure 8). Relative to all tax filers, the average earnings of refugees in this age group dropped by approximately 15 percentage points between the early 1980s and the early 1990s. Translating this into actual dollars, we find that in 1982 the average "earnings gap" between a recently landed

government assisted refugee and an "average" tax filer (both aged 35 to 44) was approximately $18,600. By 1992, the average "earnings gap" had risen to $25,100 -- an increase of $6,500. In short, more recent cohorts of refugees face a significantly larger earnings gap relative to all tax filers than their predecessors. One implication is that if refugees are to achieve earnings parity with other workers, they will have to overcome an increasing large earnings gap.

Figure 8



THE EARNINGS OF REFUGEES IN THE YEARS AFTER LANDING

It is crucial to consider the earnings of refugees not only upon landing, but also in subsequent years. The rate at which the earnings of refugees increase is a key determinant of their integration into the labour market. This issue has been defined by some researchers as the "assimilation effect." For example, David Bloom and his colleagues define the "assimilation effect" as the "...average percent change in immigrants' earnings for each year spent in Canada, over and above any increases associated with other labour market characteristics (such as experience) that both immigrants and Canadian-born individuals enjoy." The assimilation effect is expected to be associated with increases in earnings, as immigrants "...generate credible information about their skills..., as they secure appropriate job matches, build their language skills, acquire other information valued in Canada, set up their own businesses, and so on" (Bloom, Grenier and Gunderson, 1995: 991). In short, it is expected that as immigrants reside in

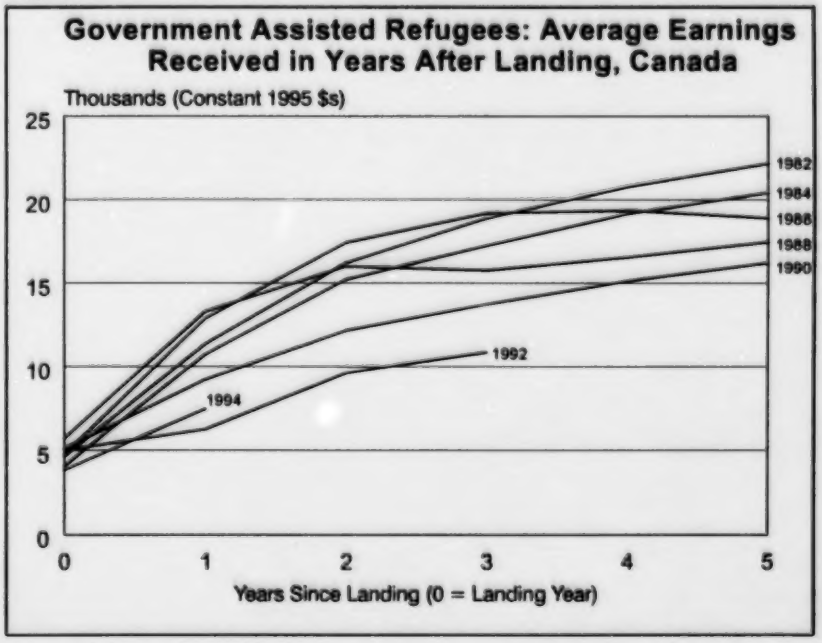
Canada they undergo a process of adjustment and their earnings gradually catch-up to those of other workers. In this section of the report, we will examine the earnings growth for refugees in the years after landing, drawing comparisons between successive landing cohorts as well as between refugees and the total population of tax filers.

The "Assimilation Effect": Comparing Landing Cohorts

In the first two years after landing, immigrants generally face a period of rapid labour market adjustment. David Green reports that rates of nonemployment are high in the first year after landing, but fall dramatically in the subsequent two years (Green, 1995b). He also reports that average earnings increase dramatically in the first two years after landing, with earnings gains slowing down in the third year (Green, 1995a). The IMDB allows us to assess the latter of these claims.

Figures 9 through 11 show the average earnings of refugees in the landing year and five subsequent years. Generally, average earnings rise markedly in the first two years after landing, with gains somewhat more modest between years three and five. This confirms the findings reported by Green. It is also apparent from Figures 9 through 11 that the average earnings of more recent cohorts have declined relative to earlier cohorts at various points after landing. For example, consider government assisted refugees (Figure 9). At three years after landing, individuals in the 1982 cohort had average earnings of approximately $18,900, with comparable earnings reported by individuals in the 1986 and 1984 cohorts (the latter were slightly lower). In contrast, average earnings for more recent cohorts at the three year point were far lower -- $13,700 for the 1990 cohort and only $10,900 for the 1992 cohort. In short, large earnings differences between cohorts are evident, not just upon landing, but also at subsequent points in time. It is worthwhile pointing out that the decline in average earnings is

Figure 9



evident even when the business cycle is taken into account. For example, the 1982 and 1992 cohorts both landed during economic recessions, and both faced similar economic climates three years later as the economy was moving into periods of growth. Yet in spite of similar economic circumstances, the average earnings of the 1982 cohort at year three (at $18,900) was almost twice that of the 1992 cohort (at $10,900).

Overall, the data suggest that labour market assimilation is becoming more problematic for refugees and raise concerns about whether more recent cohorts will be able to achieve earnings comparable to those of previous cohorts, or those of tax filers overall. Labour market assimilation appears to be most difficult for refugees in the"landed in Canada" class. As noted earlier, this class has accounted for the largest share of refugee intake through the 1990s and it has been within this class that earnings growth after landing has been slowest (Figure 10).

Figure 10

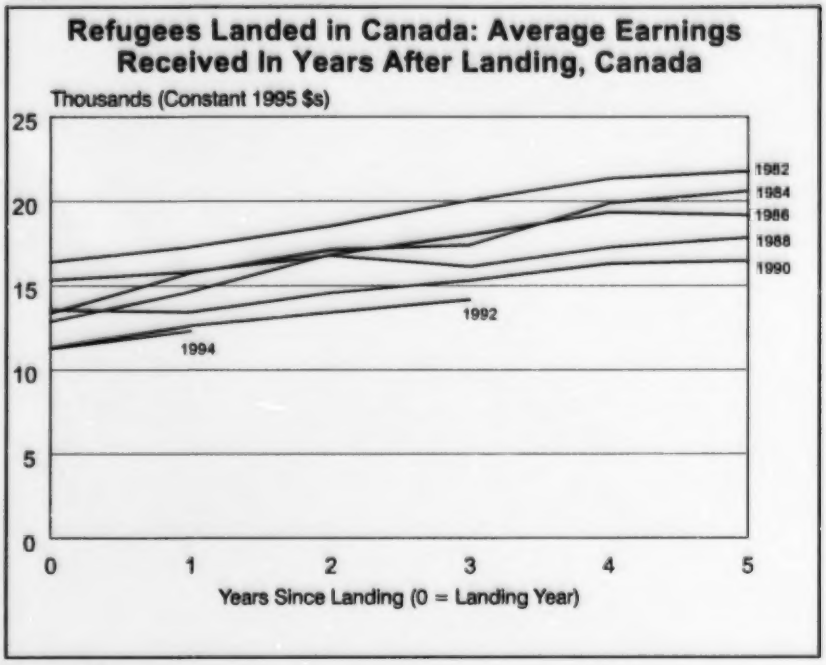
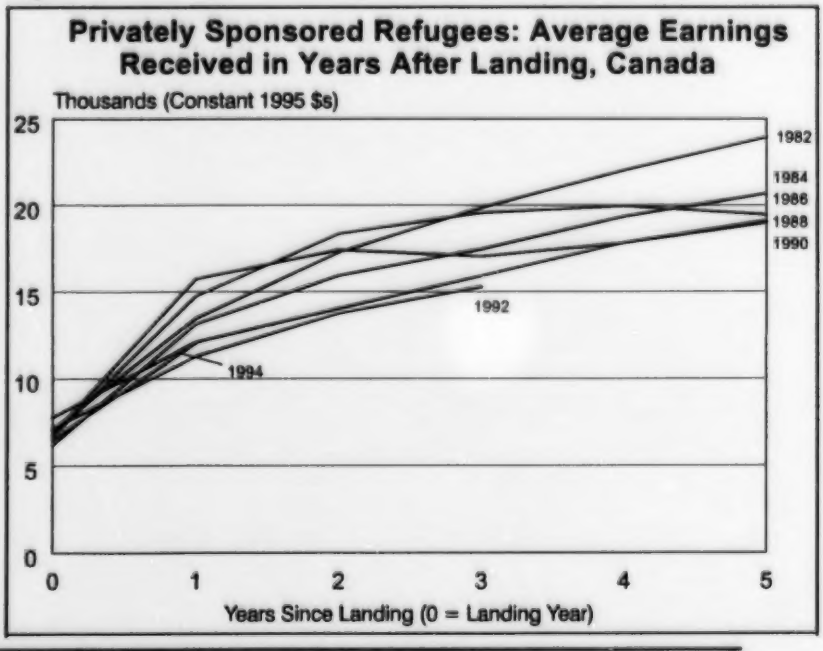


Figure 11



The "Assimilation Effect": Comparing Refugees with All Tax filers

Several Canadian researchers have compared the earnings of immigrants and Canadian-born workers using Census data, and have documented a growing gap between these groups. For example, Bloom and his colleagues report that immigrants who arrived during the 1970s and 1980s experienced greater difficulty assimilating into the labour force than immigrants who arrived at earlier points in time. Baker and Benjamin also paint a "fairly pessimistic picture", reporting that "entry earnings are falling across successive immigrant cohorts, while their rates of assimilation are uniformly small" (1995: 400). They go on to suggest that if the assimilation of recent immigrants "...matches that of earlier cohorts, convergence with natives may be unattainable" (1995: 400).

Using data from the IMDB and from Revenue Canada's *Taxation Statistics*, we can examine this issue with a specific focus on different classes of refugees. Several steps were taken in this analysis. First, refugees who were aged 25 to 34 or 35 to 44 upon landing were selected, along with tax filers in the same age groups. The earnings differences between refugees (upon landing) and tax filers were then calculated. Next, data were selected at a point in time five years later, when individuals in these cohorts were aged 30 to 39 or 40 to 49. Again, earnings differences between refugees (five years after landing) and all tax filers were calculated. By comparing the earnings gap upon landing with the earnings gap five years later, the extent to which refugees had caught-up to tax filers was calculated. This is the "assimilation effect" discussed above.

Figures 12 and 13 show the per cent of the initial earnings gap between refugees and all tax filers that was reduced between the first and fifth year after landing. The share of the earnings gap reduced in the first five years declined dramatically through the 1980s . For example, government assisted refugees (aged 25 to 34) who landed in 1982 reduced, on average, 76 per cent of the initial earnings gap that existed between themselves and all tax filers. The cohort who landed in 1989 reduced only 26 per cent of the initial earnings gap in the subsequent five years. The same trend has been evident among privately sponsored refugees as again, the share of the initial earnings gap that was reduced after landing declined markedly. (The number of "landed in Canada" refugees who landed through the 1980s was too small to do a comparable analysis). Earlier it was noted that the earnings gap between refugees and all taxfilers at the time of landing increased through the 1980s, and that more recent cohorts have experienced smaller earnings gains in the years after landing than earlier cohorts. Given these factors, it is not surprising that more recent cohorts have been "catching up" to all taxfilers at a far slower rate than was previously the case.

Figure 12

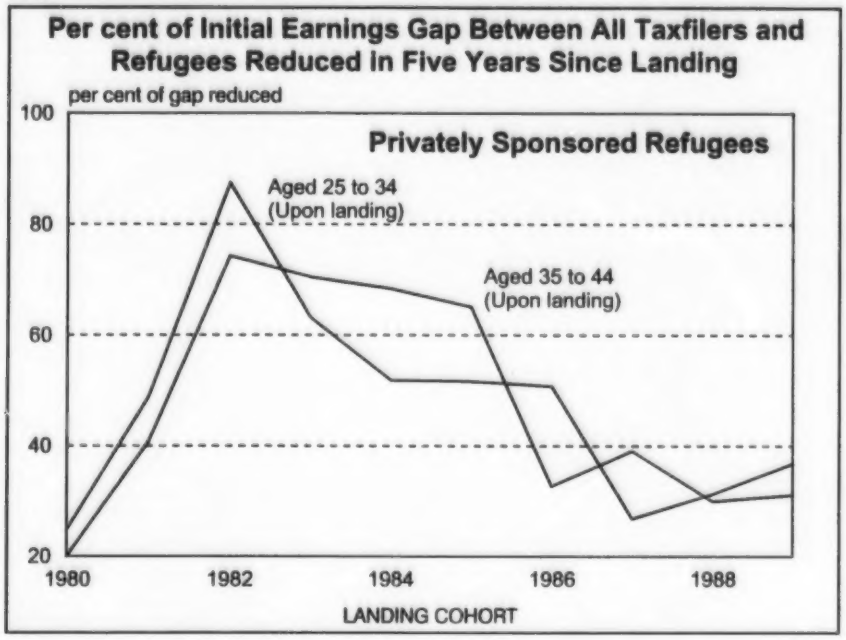
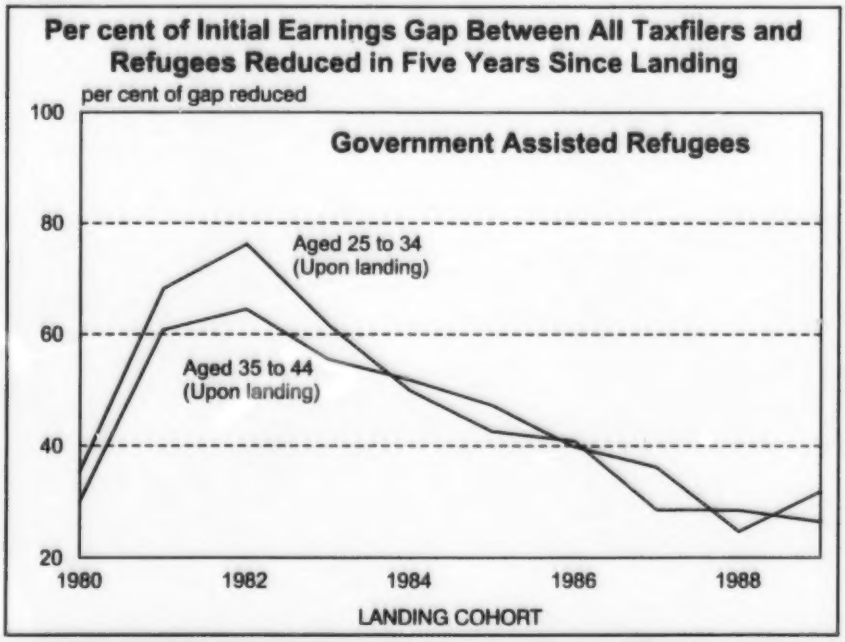


Figure 13



Overall, evidence from the IMDB indicates that the labour market position of refugees -- as measured by average earnings -- has deteriorated markedly in recent years. This deterioration is evident upon landing and in subsequent years. It is also evident when comparisons are drawn between successive landing cohorts and between refugees and all tax filers.

The factors underlying the decline in average earnings are still unclear. The downward shift is evident among both men and women, among different age groups, and among individuals with different levels of educational attainment. The downward shift is also evident among all three classes of refugees. To further explore whether the decline in earnings is correlated with changes in the characteristics of refugees, focus should be placed on language skills and country of origin.

Shifting the focus away from the characteristics of refugees themselves, further analysis of the provinces in which refugees reside is also warranted. Regional economic differences no doubt have a tremendous impact on the labour market prospects of recently landed refugees. For example, in 1993, the unemployment rate in Toronto was almost two percentage points higher than the rate in Vancouver (11.0 and 9.3 per cent respectively); and for young people, the rate in Toronto was four percentage points higher (17.8 and 13.9 per cent respectively). If refugees are settling in different regions of the country because of community ties or other factors, differences in labour market characteristics could result.

Other measures of labour market success aside from average earning also need to be considered in the study of refugees (and other categories of immigrants). To have earnings, an individual must have a job -- and getting a job in itself is a key measure of labour market success. The declining labour market success of refugees discussed above may actually be an understatement of current problems, since this analysis has focused only on those refugees who found employment. It may well be that a growing share of refugees are being excluded from the labour force altogether, and are not captured in the earnings figures. This dimension of labour market success could be assessed using a measure of labour force participation -- perhaps the share of all tax filers reporting earnings. However, changes in the taxation system in 1988 present serious challenges to over time comparisons in this regard.

SELF-EMPLOYMENT

Up to this point, our analysis has been limited to earnings derived through wages and salaries, while income from self-employment has not been considered. In this section of the paper we examine the "incidence" of self-employment among refugees and provide some comments on income derived from this source.

The "Incidence" of Self-Employment

The issue of self-employment has generated considerable interest among researchers in recent years. This has largely been due to the fact that there has been a resurgence of self-employment since the 1970s after many decades of decline. This resurgence has raised questions (and hopes) about the importance of small business as a source of job creation and economic growth. The factors associated with entry into self-employment have also received increased attention.

Using the IMDB, we can measure the "incidence" of self-employment among refugees and track changes over time (see footnote 5 for a definition of "incidence").[5] Since 1980, there has been a significant increase in self-employment among refugees since 1980 upon landing. For example, while only 2 per cent of the 1980 refugee cohort received self-employment income, this was the case for over 8 per cent of the 1992 cohort (see Figure 14). The "incidence" of self-employment was particularly high among men aged 25 to 44, reaching 11 per cent in 1992. In terms of refugee classes, self-employment rose most among privately sponsored and landed in Canada refugees, and rose least among those entering Canada via the government assistance stream (see Figure 15).

Figure 14

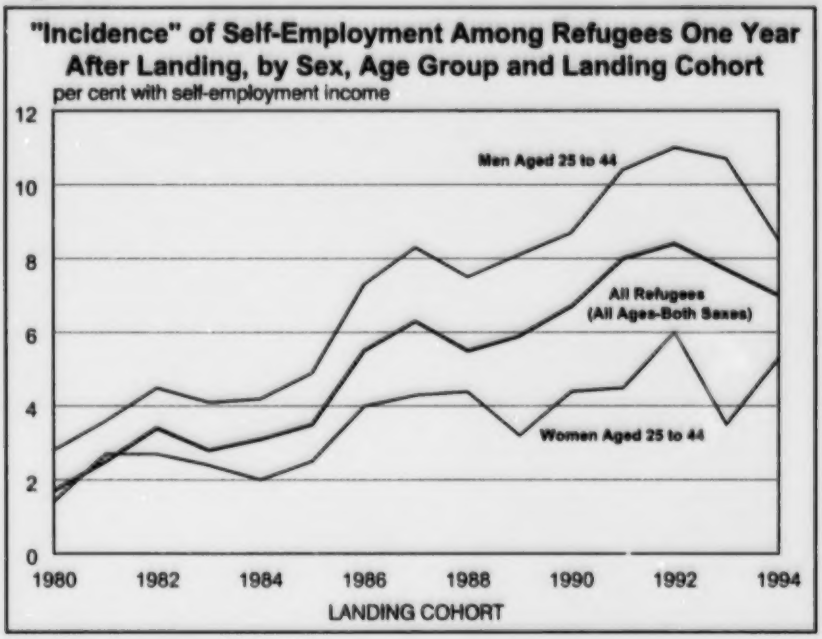
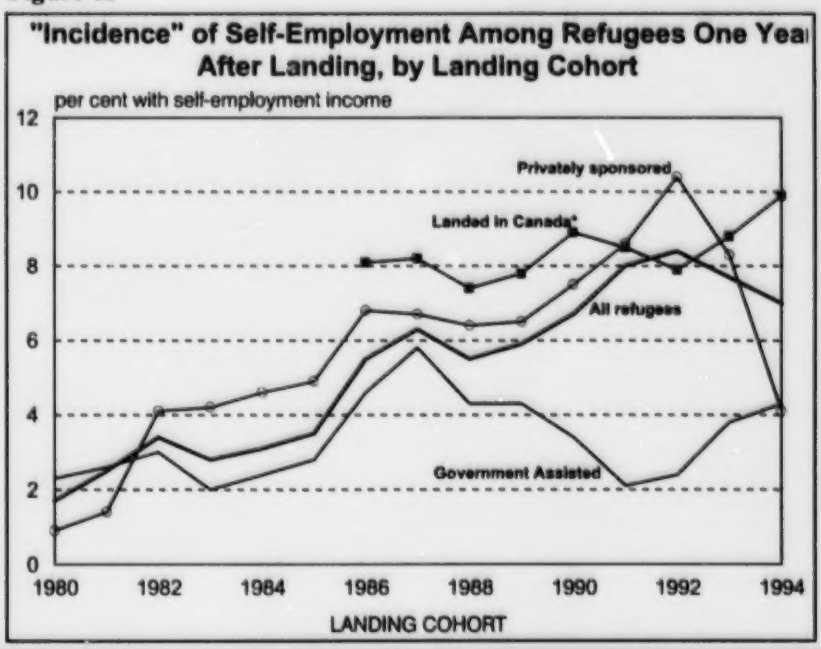
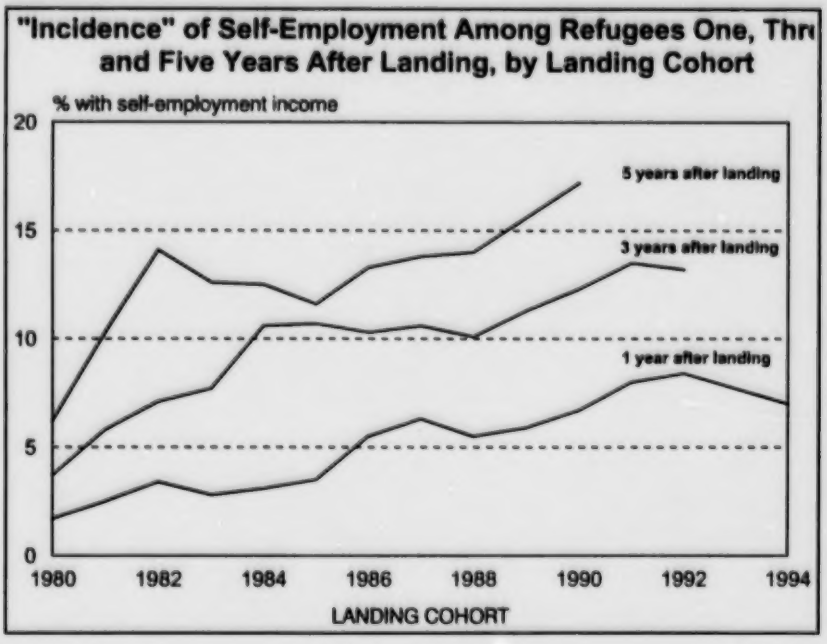


Figure 15



The increase in self-employment activity has been evident not just upon landing, but also in subsequent years. As shown in Chart 16, the incidence of self-employment is highest among refugees who have been in Canada longest, likely reflecting the fact that these individuals have had time to acquire the financial and human capital necessary to start a business. It is also evident is that the share of refugees engaged in self-employment activity at three and five years after landing is considerably higher than it used to be. This suggests that the movement into self-employment is not just a short-term phenomenon undertaken by refugees upon landing, but may be a longer-term phenomenon resulting from refugees remaining in self-employment over time.

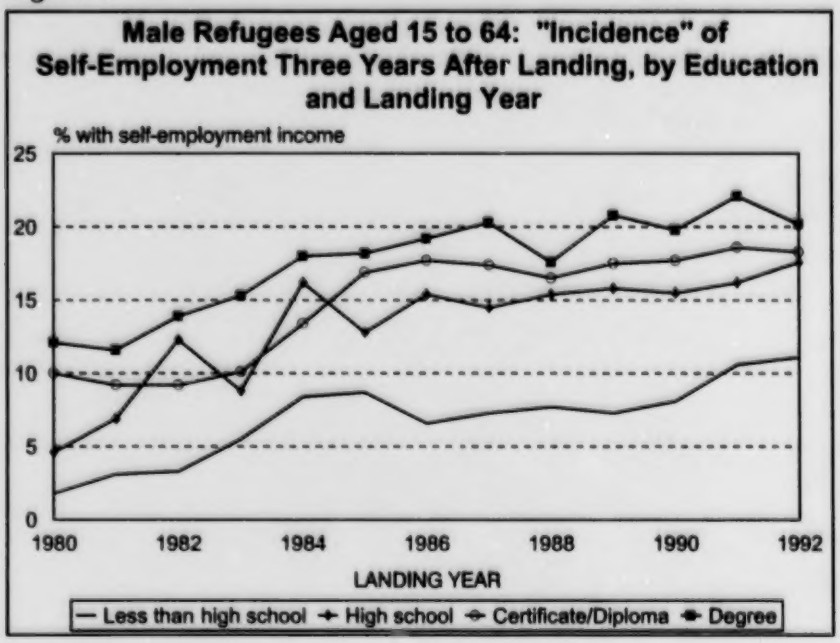
Figure 16



Aside from class of refugee and length of time in Canada, other factors are associated with self-employment activity. As shown in Figure 14, men are more likely to be self-employed than women -- a relationship that is widely reported in the literature on self-employment. Similarly, refugees in older age groups, particularly those in their late thirties and forties, are more likely to be self-employed than those in younger age groups. This is because older individuals are more likely to have the financial and human capital necessary for business start-up. Self-employment is also associated with education. As shown in Figure 17, the "incidence" of self-employment is highest among refugees with university degrees and other post-secondary credentials, and lowest among those with less than high school. This likely reflects high rates of self-employment within professional groups (such as accountants and engineers) and among

individuals in construction trades. As Figure 17 shows, the incidence of self-employment has risen among refugees at all levels of educational attainment.

Figure 17



As noted earlier, the factors associated with entry into self-employment have received increased research attention in recent years. In very broad terms, individuals may enter into self-employment out of choice or necessity -- it may be a "first choice" or "last chance." Self-employment could be considered a "first choice" for individuals who opt for this option from a range of labour market alternatives. This may be the case for individuals who have acquired the financial capital and human capital necessary for business start-up and who want to tackle the challenge of "being their own boss". The lure of financial success is another likely motivation. In contrast, self-employment may be the "last chance" for employment open to individuals with few other labour market options. Following a long bout of unemployment or numerous unsuccessful attempts to find a paid position, individuals may decide that self-employment is the only way they have to earn a living.

The evidence presented here does not enable us to assess which of these pathways is most prevalent among refugees. However, given the decline in average earnings that have been documented, the "last chance" avenue into self-employment appears the more plausible of the two explanations.

Initial analysis of self-employment income using the IMDB provides a rather messy picture. Average income at particular points in time (such as one or three years after landing) is very erratic, as is the share of total income received from self-employment. Analysis of the Survey of Consumer Finances indicates there is a high degree of variation in self-employment income, as it ranges from very low negative incomes to very high positive incomes. To overcome this problem, outliers should be excluded from subsequent analysis and income categories should be constructed. An additional approach to subsequent research would be to construct mutually exclusive categories based on the receipt of income from wages and salaries and from self-employment. A four-part typology could be constructed as follows:

	Did not receive income from wages and salaries	**Received income from wages and salaries**
Did not receive income from self-employment	- not employed in paid labour force	- wage earner
Received income from self-employment	- self-employed	- overlap/transition between self-employment / wage earner

Using this typology, it would be possible to examine in greater detail the employment activities of refugees and the extent to which they rely on self-employment as a primary sources of income.

UNEMPLOYMENT INSURANCE

The Unemployment Insurance program was originally introduced in 1940, and was designed to "promote the economic and social security of Canadians by supporting workers from the time they left one job until they obtained another" (Lochhead, 1995: 4). Today, the program is an important source of income replacement for many workers, including many who arrived in Canada as refugees.

The Utilization of Unemployment Insurance

The utilization of Unemployment Insurance by refugees varies considerably from the time of landing through subsequent years. Figure 18 shows the "incidence" of Unemployment Insurance (UI) receipt among refugees in selected cohorts. "Incidence" has been calculated as the number of individuals who received UI income divided by the number of individuals who received income from wages and salaries.[6] Incidence of UI receipt is quite low among refugees upon landing and, to a lesser degree, in the first full year after landing. This is because recently landed refugees generally have not accumulated enough weeks of employment to quality for

benefits. Incidence rises sharply in the second full year after landing as a greater share of refugees find employment. It subsequently declines as individuals develop more secure attachments to the paid labour force. The bottom line in Figure 18 shows the incidence of UI receipt for all tax filers aged 25 to 54 as a point of comparison. We see that refugees who have been in Canada for approximately 12 to 14 years have rates of UI utilization comparable to the Canadian average.

What is quite striking about Figure 18 is the extent to which the incidence of UI receipt declined among refugees between 1992 and 1995. This decline is evident even among recently landed cohorts, which is somewhat surprising given that unemployment rates were persistently high during this period and refugees did not fare well in the labour market at this time (as evidenced by declines in average earnings). To examine this in more detail, the incidence of UI receipt among different classes of refugees is shown for specific years in Table One. Comparisons are drawn between comparable points in the business cycle over a ten year period (1983 and 1993).

Figure 18

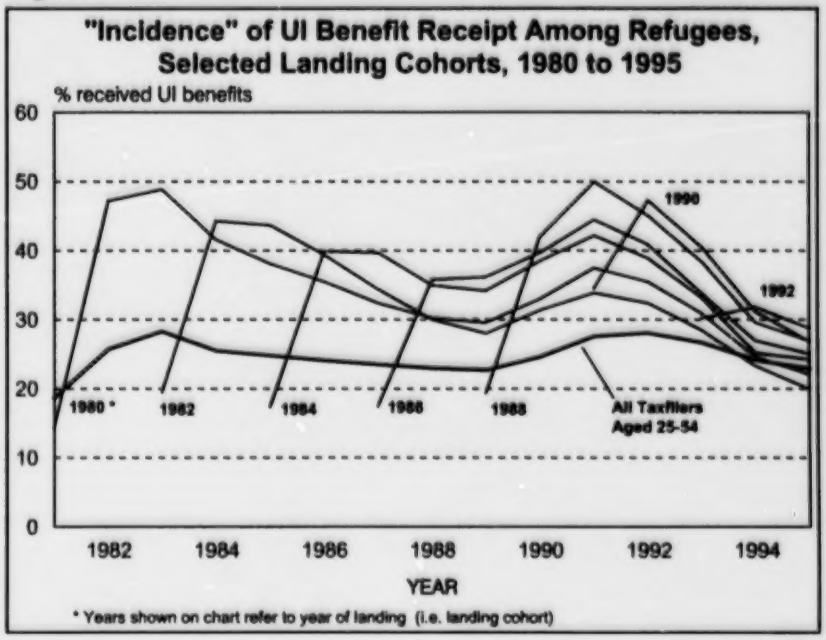


Table 1 shows that there has been a significant decline in incidence of UI receipt among all classes of refugees. For example, in 1983, the "incidence" of UI receipt among government assisted refugees who had landed two years earlier was 42.8 per cent. In 1993, the "incidence" among government assisted refugees who had landed two years earlier was far lower -- at 24.2 per cent. Large differences were also evident among refugees who had landed three and four years earlier. In short, the "incidence" of UI receipt among government assisted refugees declined by 10 to 20 percentage points at most points of comparison. Among privately sponsored refugees and refugees landed in Canada, the incidence of UI receipt generally declined by 5 to 10 percentage points. Overall, this means that refugees were far less likely to be receiving UI benefits in 1993 than their counterparts were in 1983. It is worth noting that a similar trend is not

evident among all tax filers. As shown in Table 2, the incidence of UI receipt declined by less than two percentage points for tax filers in most age groups.

Table 1. Comparing the "Incidence" of Unemployment Insurance Receipt During Selected Years, by Class of Refugee and Years Since Landing

GOVERNMENT ASSISTED			
Years since landing	**1983**	**1993**	**Difference**
Two	42.8	24.2	- 18.6
Three	51.7	37.0	- 14.7
Years since landing	**1984**	**1994**	**Difference**
Two	45.3	19.0	- 26.3
Three	43.9	27.0	- 16.9
Four	43.0	31.3	- 11.7
Years since landing	**1985**	**1995**	**Difference**
Two	39.4	19.9	- 19.5
Three	45.6	26.4	- 19.2
Four	39.2	24.1	- 15.1
Five	39.7	27.2	- 12.5
PRIVATELY SPONSORED			
Years since landing	**1983**	**1993**	**Difference**
Two	42.0	48.2	+ 5.8
Three	46.2	42.1	- 4.1
Years since landing	**1984**	**1994**	**Difference**
Two	43.4	43.8	+ 0.4
Three	40.7	36.5	- 4.2
Four	40.3	31.5	- 8.8
Years since landing	**1985**	**1995**	**Difference**
Two	40.9	37.2	- 3.7
Three	40.6	35.1	- 5.5
Four	39.9	30.9	- 9.0
Five	36.8	26.8	- 10.0
LANDED IN CANADA*			
Years since landing	**1983**	**1993**	**Difference**
Two	50.0	39.7	- 10.3
Years since landing	**1984**	**1994**	**Difference**
Two	33.9	27.8	- 6.1
Years since landing	**1985**	**1995**	**Difference**
Two	36.7	25.8	- 10.9
Three	39.6	26.1	- 13.5

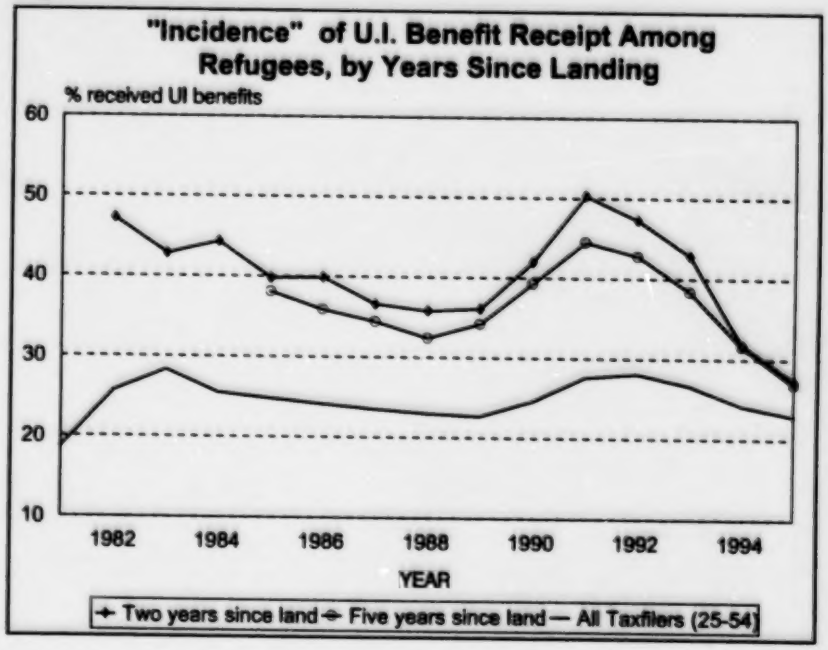
* The number of "landed in Canada" class refugees who landed in 1980 and 1981 was small and only a small number received UI benefits. As a result, the sample size is insufficient to provide a complete set of estimates for this class.

Table 2. Comparing the "Incidence" of Unemployment Insurance Receipt During Selected Years, All Tax filers, by Age Group

ALL TAX FILERS	1983	1993	Difference
Aged 25 to 34	33.6	32.7	- 0.9
Aged 35 to 44	24.4	24.4	0.0
Aged 45 to 54	23.4	20.9	- 2.5
	1984	**1994**	**Difference**
Aged 25 to 34	31.1	29.7	- 1.4
Aged 35 to 44	21.2	22.3	+ 1.1
Aged 45 to 54	20.4	19.2	- 1.2
	1985	**1995**	**Difference**
Aged 25 to 34	30.4	28.6	- 1.8
Aged 35 to 44	20.7	20.7	0.0
Aged 45 to 54	19.7	18.2	- 1.5

As a result of these trends, the difference in the utilization of UI has narrowed considerably between refugees and the total population of taxfilers. Through the 1980s the incidence of UI receipt among refugees at two and five years after landing was far higher than the incidence among all tax filers; for example, in 1985 the difference was about 15 percentage points. However, by 1995 the incidence of UI receipt had narrowed dramatically, with the incidence among refugees only about five percentage points higher than that among all taxfilers.

Figure 19



There are several possible explanations for the declining incidence of UI receipt among refugees. First, this may be the result of lower unemployment rates among this group. Simply put, fewer refugees may be collecting benefits because fewer of them are unemployed. National unemployment rates in 1994 and 1995 were about one percentage point lower than they were ten years earlier, lending some credence to this interpretation. Nonetheless, given the apparent labour market difficulties faced by refugees in recent years this interpretation remains unconvincing. A decline in UI utilization of 5 to 10 percentage points suggests a significant improvement in employment prospects which, by all accounts, has not occurred. This point was underscored by the earnings data presented earlier.

An alternative explanation may reside with the many changes in the Unemployment Insurance program that have been introduced in recent years. In 1990, the number of weeks of work required to receive benefits was increased, the maximum duration of benefits was reduced for most regions, and the replacement rate was reduced from 60 to 50 per cent of insurable earnings. In 1993 the regular benefit rate was reduced from 60 to 57 per cent of insurance earnings, and workers who quit or were fired from their jobs were ineligible for benefits. Substantial changes have been made in subsequent years as well. As a result of these changes it is estimated that the share of all unemployed workers receiving UI benefits decreased from 88 to 46 per cent between 1990 and 1996.[7] These changes could account for some of the decline noted among refugees. It may be the case that in the 1990s refugees have a more precarious attachment to the labour market, and those who lose their jobs are less likely to collect UI benefits because they have not accumulated the necessary (and increased) number of weeks of employment needed to qualify. Program changes may also have discouraged refugees from quitting their jobs to find alternative (and perhaps more suitable) employment. Because individuals who quit their jobs are ineligible to receive benefits, employed refugees may be more likely to "stay put" than in years passed and more reticent to leave their jobs in the hopes of finding better ones.

An important consideration of changes in UI eligibility is the impact this is likely to have on the utilization of other programs, such as Social Assistance (welfare). If an increasing share of refugees are not qualifying for UI because of lack of access to paid employment, limited number of weeks worked, or changes to quit/firing provisions, they may be more likely to turn to other programs for financial support. This issue is examined in the next section of the report.

Unemployment Insurance Benefits Received

As noted above, the incidence of UI utilization varies considerably as refugees reside in Canada for successive years. So too does the amount of UI received. As shown in Figure 20, UI benefits received by refugees are quite low, on average, in the first year after landing, and rise in subsequent years. This reflects low earnings upon landing (and hence low insurable earnings) and earnings gains achieved in subsequent years (the "assimilation effect"). Through the 1980s it did not take long for the average UI benefits received by government assisted refugees to catch up to the average reported by all tax filers (aged 25 to 54). For the 1980 and 1984 cohorts, parity

was achieved in about six years. Average UI benefits were lower among privately sponsored refugees and in most cases took longer to catch up with the Canadian average. Finally, as Figure 21 shows, the profile of average UI benefits received by refugees in the "landed in Canada" class looks somewhat different than the profiles shown in Figures 19 and 20 for government assisted and privately sponsored refugees. This is due, at least in part, to the fact that refugees in the landed in class may have been in Canada for several years prior to being "landed" and have had paid employment during this time. As a result, average benefits do not show the same increase between one and two years after landing as is the case among other refugee classes.

Figure 20

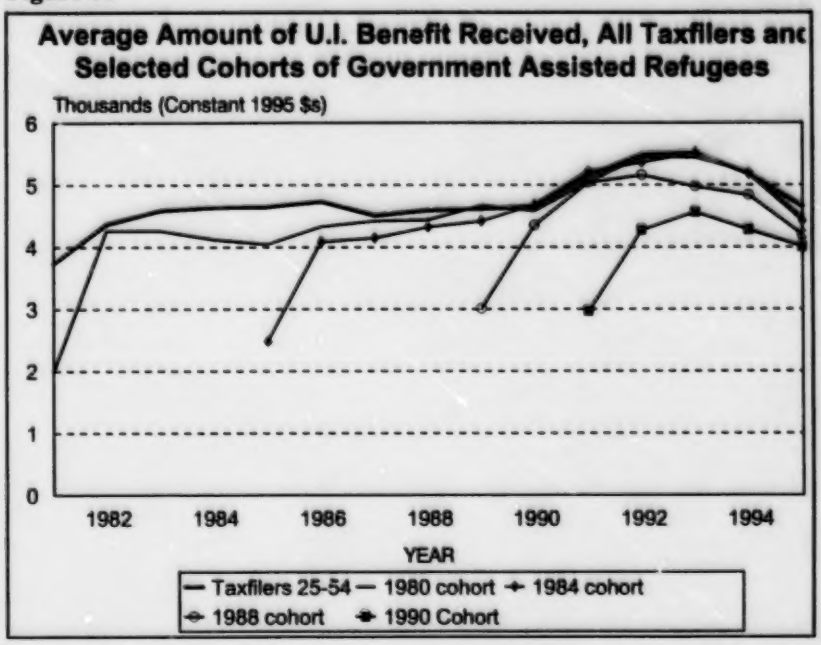


Figure 21

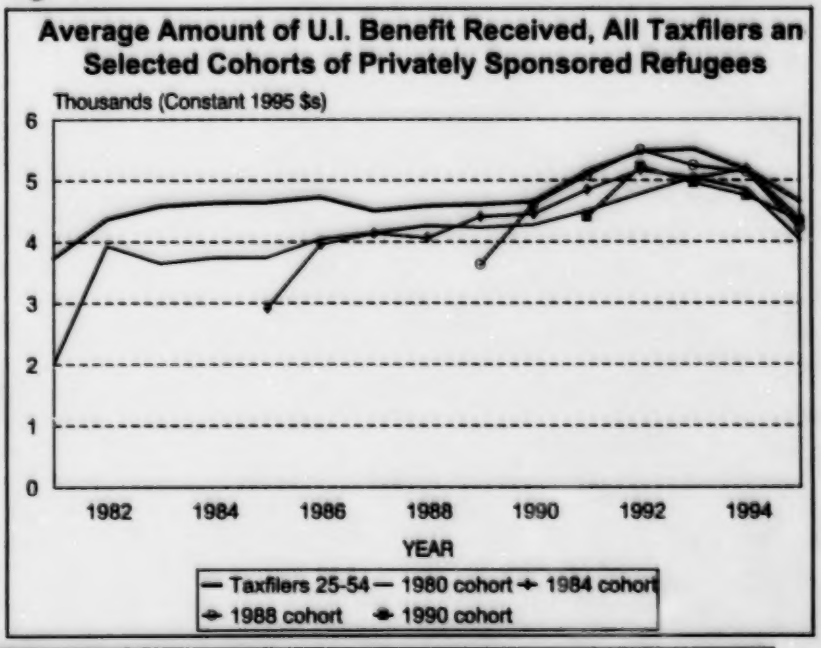
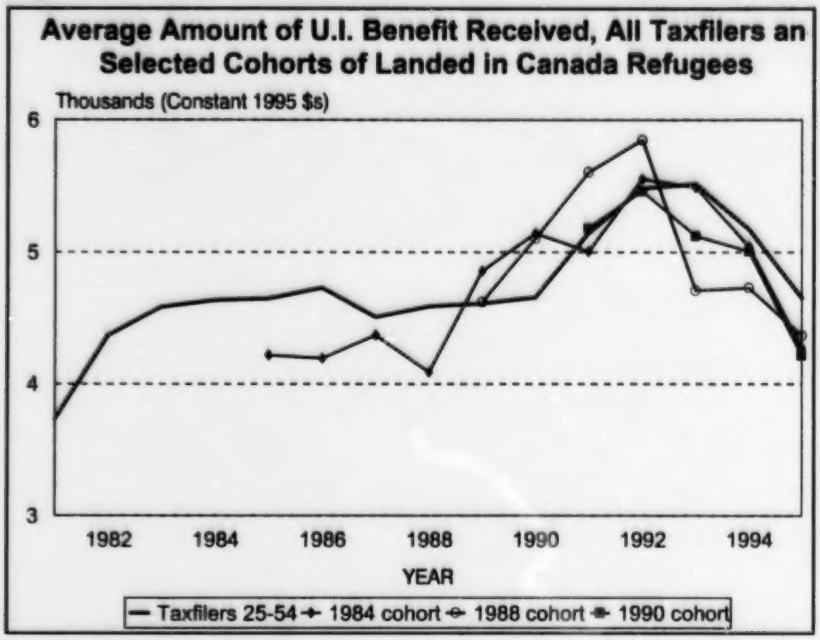


Figure 22



Overall, the profile of Unemployment Insurance usage among refugees has tended to increasingly approximate the profile exhibited by all tax filers. This may be considered another dimension of labour market "assimilation" as refugees achieve earnings increase as they reside in Canada for longer periods of time. A key issue for the coming years is the impact that changes in the Unemployment Insurance program -- renamed Employment Insurance in December 1995 -- is having on refugees and other classes of immigrants.

SOCIAL ASSISTANCE

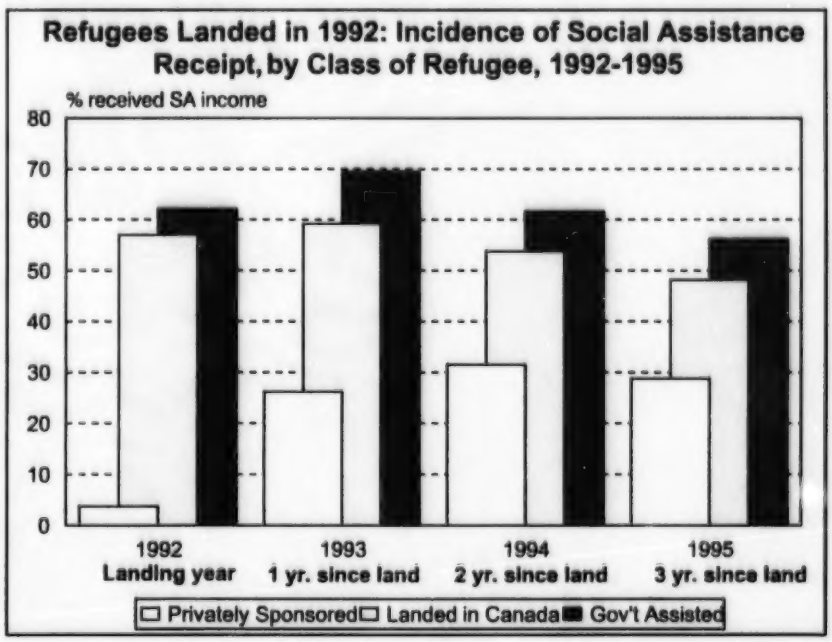
Social assistance (SA), commonly known as welfare, is the final income source examined in this report. In many cases, social assistance is the program of last resort for people in financial need, providing assistance to families and individuals who are without other means of support and who do not have enough money to provide adequately for themselves. It is important to note that aside from social assistance programs administered by the provinces, the federal government operates the Adjustment Assistance Program (AAP). The AAP is an income support program that provides benefits to government assisted refugees during the first year after landing. The program is intended to help these refugees "get on their feet" upon arriving in Canada. For

taxation purposes, there is no distinction between income received from AAP and income received from other social assistance programs -- it is all included in the same broad category. As a result, one would expect a high rate of "social assistance" utilization among government assisted refugees in the first year after landing since this includes AAP benefits.

Only since 1992 have individuals receiving social assistance been required to file a tax return. Consequently, information on this income source is available from the IMDB only for the years 1992 to 1995 and the following analysis is limited to this period.

Upon landing, approximately 60 per cent of all refugees filing a tax return report social assistance benefits (SA); this share has ranged from a high of 67 per cent in 1993 to a low of 56 per cent in 1995. The incidence of receipt varies dramatically across classes of refugees. It is highest among government assisted refugees (who receive income from the Adjustment Assistance Program) and lowest among privately sponsored refugees. Over time, differences between classes decline (see Figure 23).

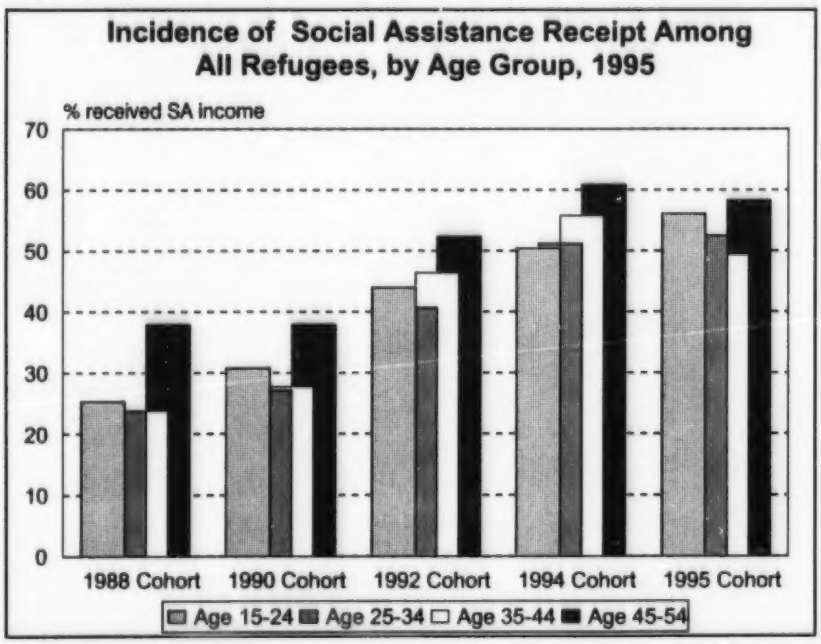
Figure 23



Other factors are associated with greater likelihood of receiving Social Assistance income. Generally speaking, the incidence of SA receipt is highest among refugees in older age groups (those 45 to 54 upon landing; see Figure 24). This is likely attributable to the particular

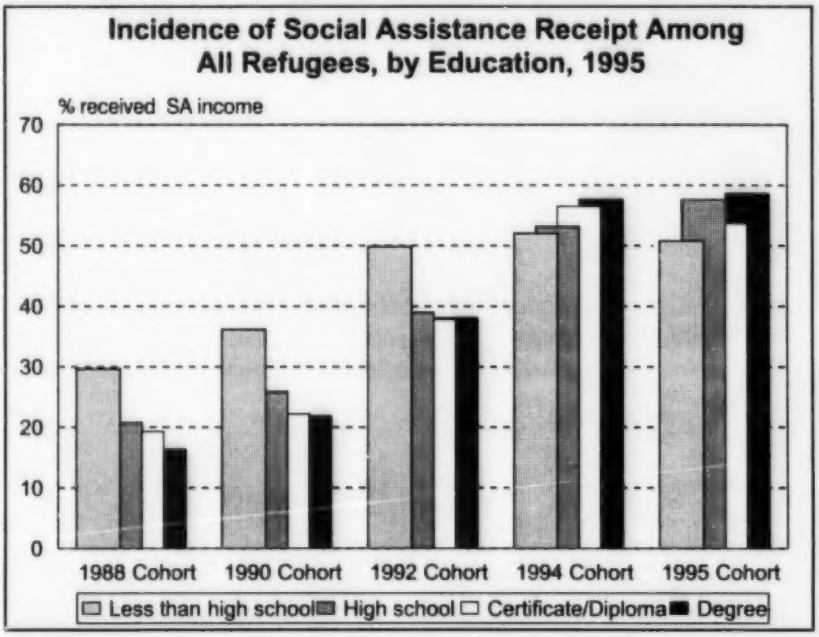
difficulties older workers face when seeking paid employment. Among the total population of older workers (aged 45 and over), the average duration of unemployment is significantly longer than it is among younger workers. For older refugees seeking work, labour market prospects are likely quite slim, and the transition from SA to paid employment particularly difficult. In this context, it is interesting to note changes in the incidence of SA over time. For most cohorts who landed in the late 1980s and early 1990s, the incidence of SA receipt among older individuals (45 to 54) was somewhat higher higher in 1995 than it had been in 1992. This increase was about 4 to 5 percentage points in most cases. In short, older individuals were more likely to be receiving SA in 1995 than they had been in 1992. Among other age groups, the incidence of SA receipt in 1995 was about the same, or somewhat lower, than it had been in 1992. This suggests refugees in older age groups did not fare as well as their younger counterparts through the 1990s. At the other end of the age spectrum, the incidence of SA receipt tends to be relatively high among refugees in the youngest age group (15 to 24 upon landing). Again, this likely reflects the limited range of labour market opportunities available to this age group.

Figure 24



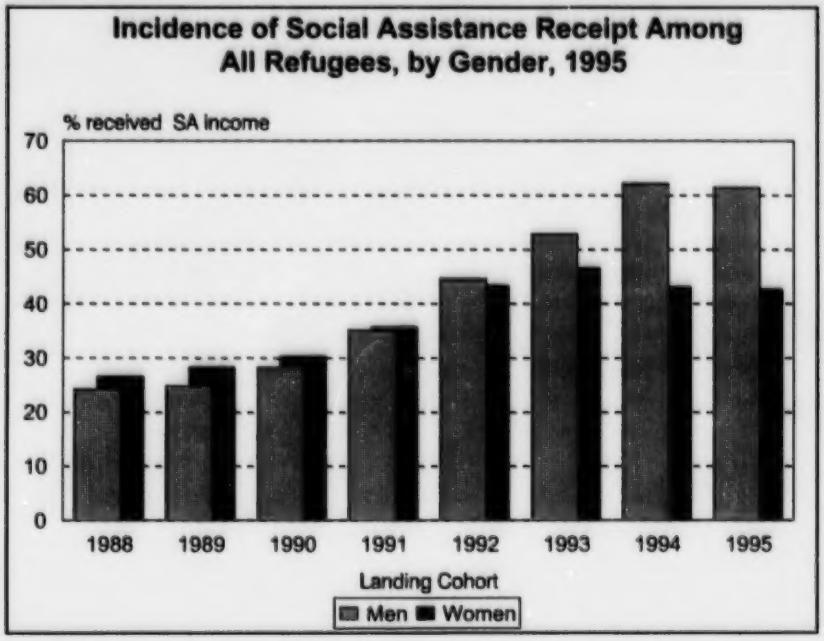
The likelihood of receiving SA income varies across educational categories (see Figure 25). Not suprisingly, refugees with less than high school are far more likely to receive SA than those with a univeristy degree. This relationship is most apparent among cohorts who have been in Canada for a few years, probably because individuals with post-secondary education have had time to gain recognition of their credentials and find jobs that match their training. Individuals in more recent cohorts have not had time to do so.

Figure 25



Finally, the likelihood of receiving SA income varies between men and women, with noticeable changes in this regard evident through the 1990s. Figure 27 shows the share of male and female refugees in successive landing cohorts who received SA income in 1995. In the 1988, 1989 and 1990 landing cohorts, a slightly larger share of women than men received income from this source. However, this pattern was reversed by 1992 when the share of men receiving SA began to exceed the share of women. This difference reached about 20 pecentage points within the 1994 and 1995 landing cohorts. One possible explanation is that this trend reflects changes in the family composition of refugees. If recent landing cohorts had been comprised of a greater share of unattached males than previous cohorts, one would expect (other things being equal) a greater share of SA beneficiaries to be male.

Figure 26



In important policy issue is whether refugees tend to rely more on social assistance today than in years passed. A greater propensity to use SA, or to remain on SA programs for longer periods of time, could be a signal that labour market entry is becoming more problematic. We can begin to explore this issue by looking at the incidence of SA utilization over time.

Figure 27 shows the incidence of SA receipt among selected landing cohorts of government assisted refugees. The most striking aspect of this chart is the high degree of SA utilization among the 1991 and 1992 cohorts (the top two lines) -- particularly in contrast to earlier cohorts. In 1992, the majority of government assisted refugees from the 1991 and 1992 landing cohorts received SA. This high rate of utilization is to be expected because these refugees were eligible to receive assistance through the Adjustment Assistance Program (AAP). However, even by 1995 -- after individuals in the 1991 and 1992 cohorts had resided in Canada for three to four years -- over one-half of them were still receiving income from SA compared to about one-third of refugees in the 1990 cohort (36 percent). In short, SA utilization increased markedly from one landing year to the next, suggesting that labour market adjustment may have been particularly difficult for cohorts landing during the last recession.[8] It is also important to note that by 1995, government assisted refugees who landed in the early 1990s were no longer eligible to receive AAP benefits and those in receipt of social assistance had moved onto provincial SA rolls.

Patterns of SA utilization have been somewhat different among other classes of refugees. Among privately sponsored refugees there has been very little change in SA utilization across recent landing cohorts (see Figure 28). Among refugees landed in Canada, differences in the incidence of SA receipt between cohorts have been smaller than those evident among government assisted refugees (see Figure 29).

Figure 27

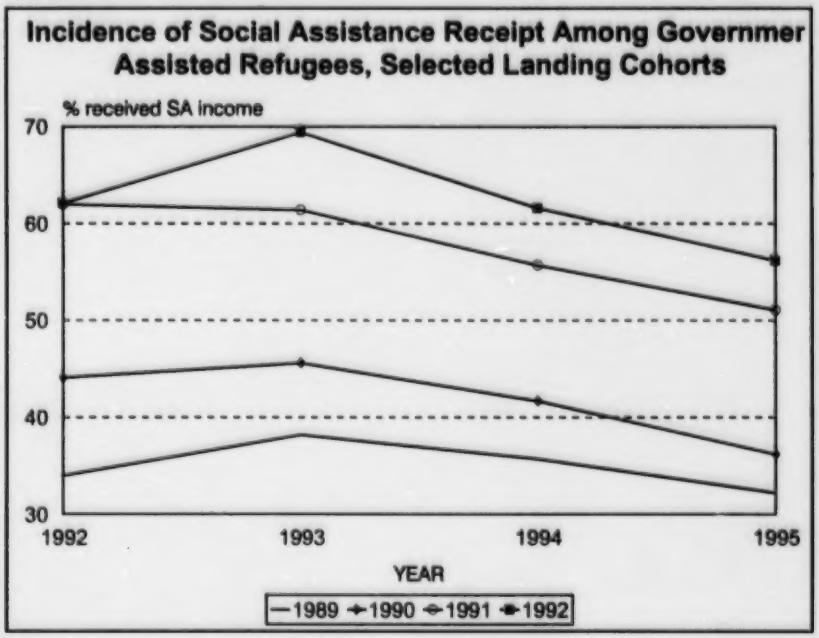


Figure 28

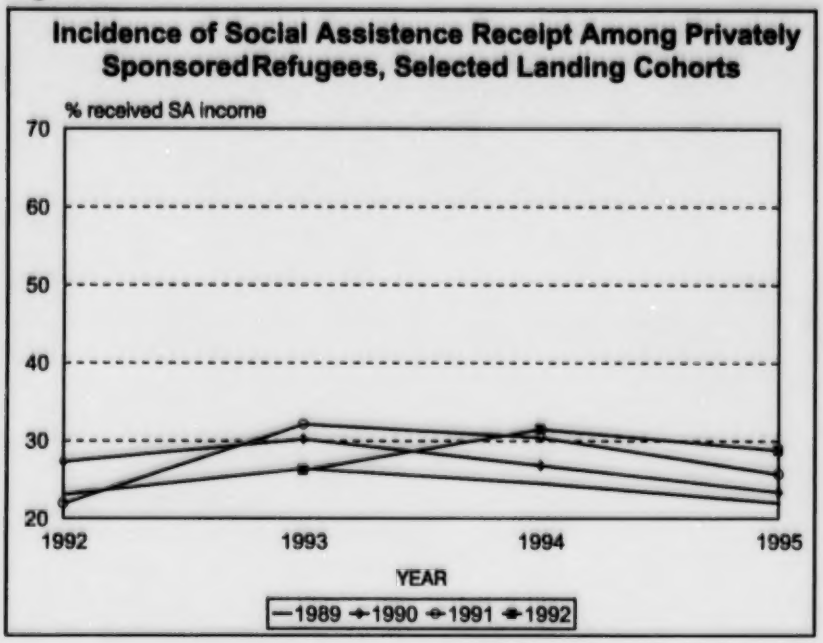
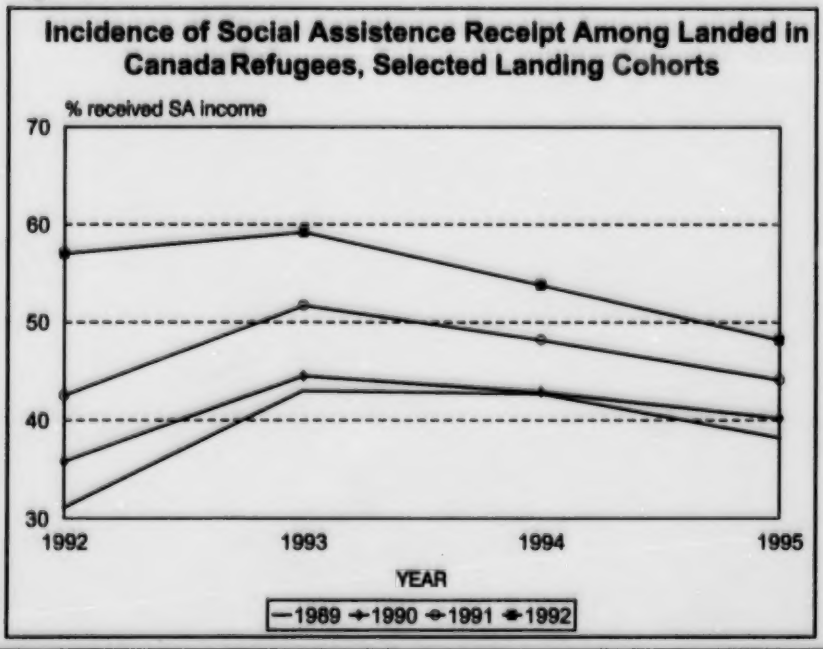
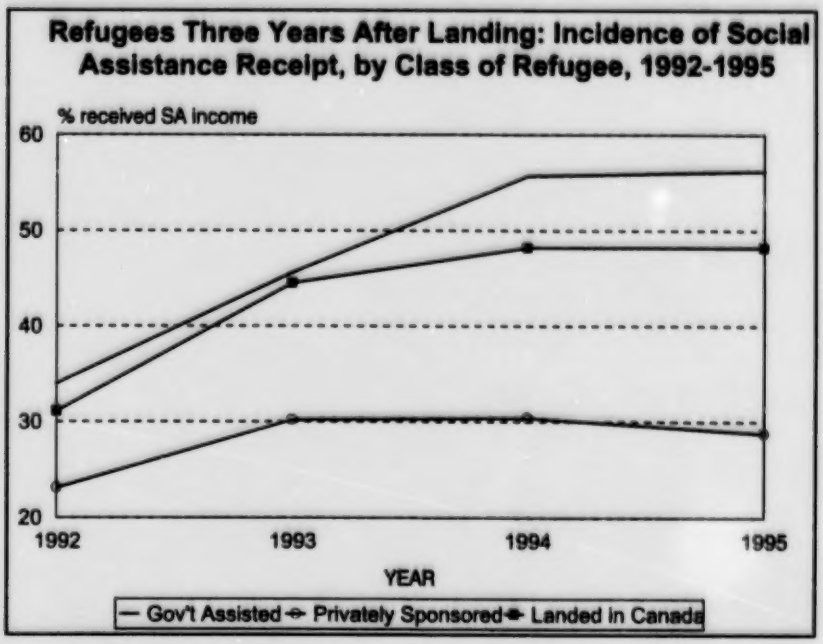


Figure 29



Overall, utilization of SA has increased among refugees in the government assisted and landed in Canada classes. This can be further documented by drawing comparisons across the three refugee classes. Figure 30 shows the incidence of SA receipt among refugees in each class three years after landing. We see that in 1992, the share of government assisted refugees receiving SA was 11 percentage points higher than the share of privately sponsored refugees (the actual incidences were 34 and 23 per cent respectively). For the years 1993 through 1995, the differences between these classes were considerably larger -- at approximately 28 percentage points. This means that relative to privately sponsored refugees, SA utilization among government assisted refugees has increased dramatically. The same trend is evident, although to a lesser extent, when the comparison is drawn between privately sponsored refugees and refugees in the "landed in Canada" class. All in all, the evidence points to increasing utilization of social assistance among government assisted and landed in Canada refugees, both in absolute terms, and relative to their privately sponsored counterparts.

Figure 30



The increase in SA utilization among recent cohorts is interesting when placed in the context of declining utilization of UI. A central policy question is whether the drop in the incidence of UI receipt between 1992 and 1995 and the increase in the incidence SA receipt are two sides of the same coin. Given declining labour market prospects and "tighter" eligibility

requirements for UI, refugees may have found that SA has been their only source of income support. The decline in UI receipt and increase in SA receipt are documented in Figures 31 and 32. (Readers should note that a different definition of UI incidence has been used here than in the previous section.[9]) Among men in the 1989 cohort, a smaller share received SA (27 per cent) than UI (35) in 1992. Among men in the 1990 cohort the shares receiving income from each source were about the same (35 per cent). However, in subsequent cohorts there was a marked decline in the share receiving UI benefits and a marked increase the share receiving SA. The same pattern has been evident among women.

Figure 31

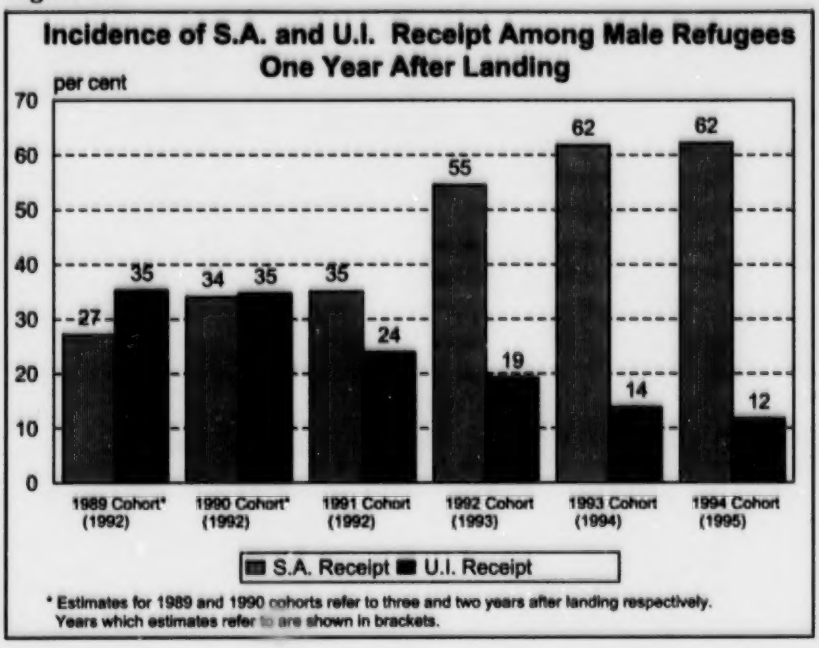
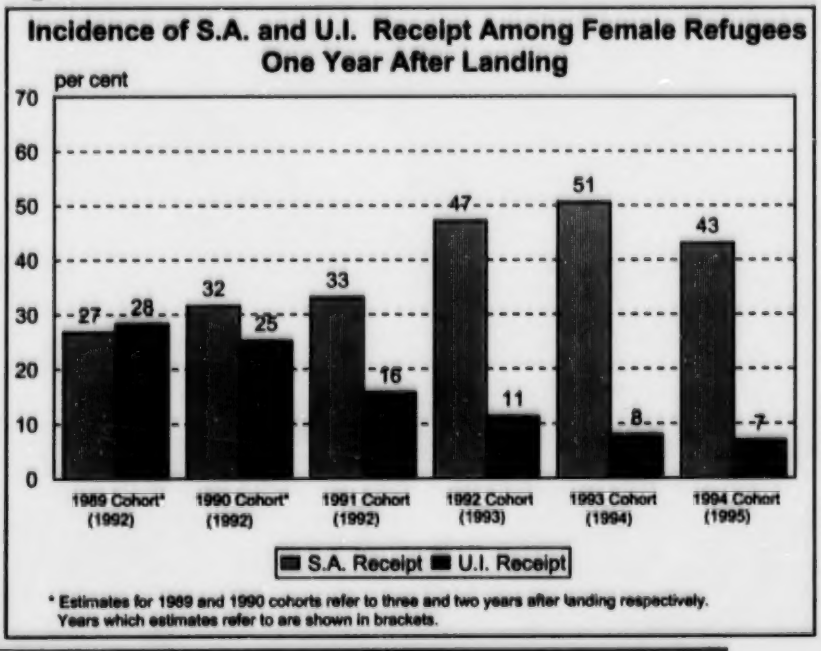


Figure 32



Social Assistance Benefits

While there have been noticeable changes in the incidence of SA in recent years, changes in average amounts received have been less striking. Figure 33 shows the average SA benefit received by government assisted refugees in selected landing cohorts. Benefit levels tend to be low upon landing (see 1992 and 1993 cohorts), probably reflecting part-year residency in Canada during the year. By the first full-year after landing, average benefits reach $8,000 to $9,000 and remain at that level in subsequent years. The same general pattern is evident among privately sponsored refugees, although average benefits received tend to be slightly lower, at $7,500 to $8,000 in 1995 (see Figure 34).

Figure 33

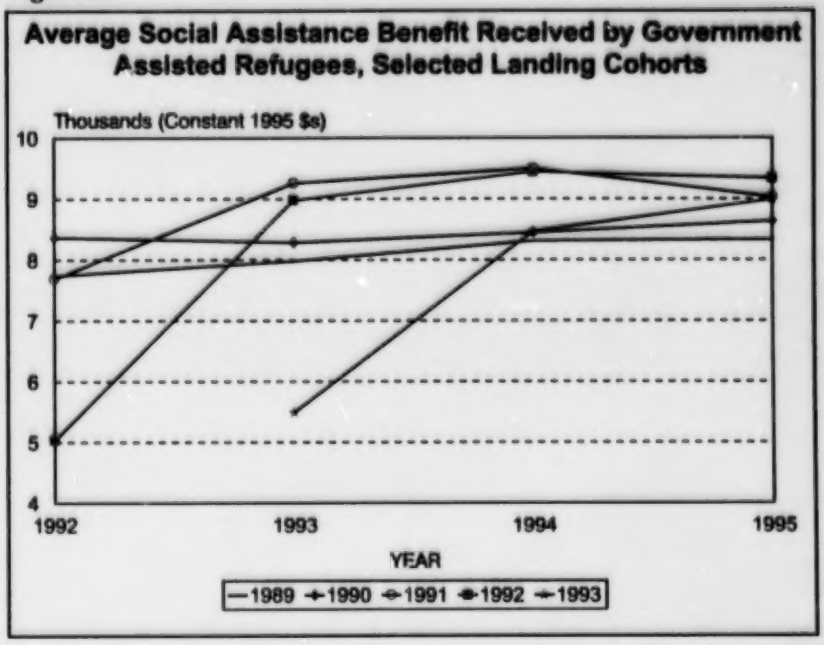
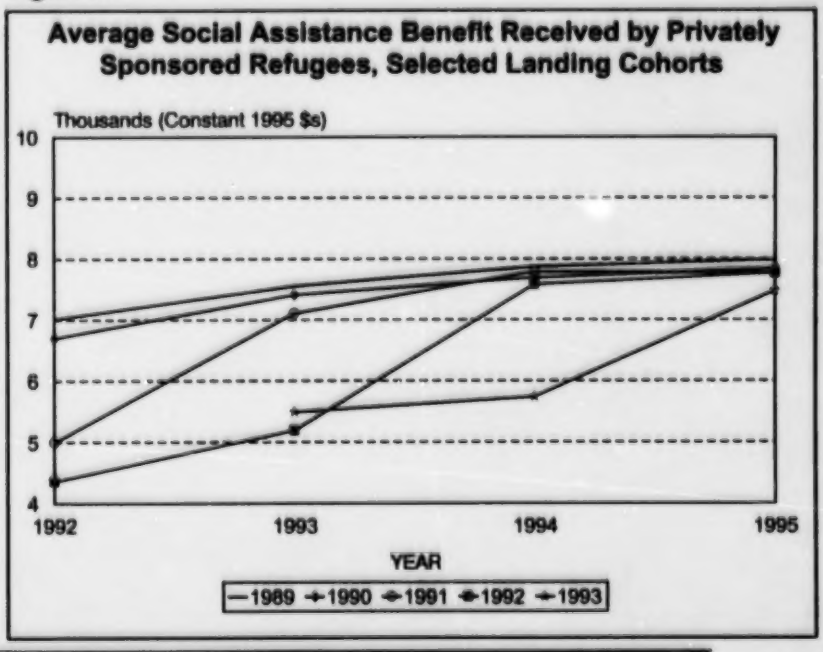


Figure 34



CONCLUSIONS AND DIRECTIONS FOR FUTURE RESEARCH

Earnings from Wages and Salaries

Overall, the data presented in this paper confirms for refugees the broader findings of other researchers who have reported that the earnings of immigrants have declined both upon landing (the "entry effect") and in subsequent years (the "assimilation effect"). This underscores concerns that immigrants, and more specifically refugees in this case, face an increasing earnings gap upon landing (vis-a-vis all tax filers), and increasing difficulties bridging this gap. Our analysis has shown that the decline in earnings has been evident within all classes of refugees, among both men and women, and across age groups and educational categories. One implication is that if this trend continues, the labour market integration of refugees may become more problematic in the years to come.

The decline in average earnings documented in this paper has been most evident since the late 1980s -- 1988 seems to mark something of a turning point. Because this precedes the onset of the recession in 1991, the decline in earnings cannot be viewed merely as an outcome of the business cycle. Something else has changed. This may be a change in the characteristics of refugees themselves, such as a shift in countries of origin or in the language abilities of more recent cohorts. Such factors must be incorporated into further analysis.

Changes in the structure of the Canadian labour market also warrant consideration. Since the late 1980s, employment growth has been greatest within managerial and professional occupations; the earnings and employment prospects of young Canadians have deteriorated in absolute terms and relative to workers in older age groups; and the employment opportunites for individuals with low levels of education have all but disappeared. Emerging trends in the economy appear to be creating opportunities more favourable to some groups than others. Individuals in older age groups (35 to 50 years), with higher levels of education, and with technical and/or managerial skills are benefiting most. In this context, employment opportunities for recently landed refugees (or immigrants more broadly) may be more restricted than they used to be as employers are increasingly seeking workers with recognized credentials and extensive work experience within "high-tech" environments. Refugees, like youth, may be finding themselves at the end of the queue for "good jobs".

There has been a considerable change in the class composition of refugees. In 1995, the landed in Canada class accounted for almost 60 per cent of the landing cohort, while prior to 1990 this class accounted for less than 10 percent. This is one of the most profound changes in refugee characteristics that has emerged in recent years. The impact of this change on settlement patterns, human capital issues, program utilization and other areas warrants further investigation.

In this paper, average earnings from wages and salaries has been the primary variable used to assess labour market "entry" and "assimilation". But as noted earlier, to have earnings an individual must have a job -- and getting a job is itself an important dimension of labour market integration. An important step in the development of the IMDB would be to construct some way to measure "labour force participation" among immigrants. Computing "earners" as a share of all taxfilers is inadequate, since individuals who do not participate in the paid labour force may not file a tax return. Changes in the taxation system in 1988 further complicate matters.[10] One possible way forward could be to compute the number of tax filers with earnings (from the IMDB) as a per cent of all immigrants in the landing cohort (from the LIDS). Because the denominator in this calculation would be the entire landing cohort, an overall perspective on labour market participation would be obtained. However, this method currently poses some problems as not all tax filers are captured in the IMDB, and the margin of error is not known. If this margin of error could be quantified or made constant, a more reliable estimate of trends in participation could be calculated.

Self-Employment

Since the early 1980s there has been a significant increase in self-employment activity among refugees. This increase has been evident upon landing and in subsequent years. A key question this raises is whether self-employment is being undertaken by choice or necessity. In other words, to what extent are refugees starting their own businesses because other avenues of labour market participation are being closed to them? Overall, the pathways into self-employment warrant further investigation. An initial step would be to classify IMDB respondents into one of four mutually exclusive categories based on the annual income received from wages/salaries and self-employment (see Table on page 21). This would provide detailed information on labour market activities during the year and an accurate assessment of the extent to which refugees rely on self-employment as their sole source of labour market income. Subsequent analysis could examine the labour market participation and/or wages of refugees in the years prior to entry into self-employment. This would shed some light on the extent to which business start up is a response to lack of other employment alternatives.

The financial security derived from self-employment is another issue warranting consideration. In particular, to what extent are refugees able to derive an "adequate" income from self-employment? In this analysis we examined average incomes from this source, but found this provided a rather "messy" picture, largely because of the degree of dispersion around the mean. The exclusion of individuals with extremely high or low self-employment incomes would help clarify the picture, as would use of the typology noted above.

Unemployment Insurance

As refugees have resided in Canada for longer periods of time, their use of the Unemployment Insurance program (now Employment Insurance) increasingly approximates use among all tax filers (when measured as "incidence" and average benefits received). However, the incidence of UI recepit declined noticeably among refugees between 1992 and 1995. This decline is somewhat surprising given the impact of the recession at that time and the fact that refugees were not faring particularly well in the labour force. One question this raises is whether the major changes made to the UI program in the 1990s have had a significant impact on refugees, and possibly other classes of immigrants. For example, after 1992, workers who quit their job were not eligible to collect benefits. This may discourage recently landed refugees from leaving a job to find a more appropriate one, since benefits could not be collected in the event of an unsuccessful job search.

Social Assistance

Overall, about 60 per cent of all refugees receive social assistance upon landing. This is largely driven by the high rate of receipt among government assisted refugees, who receive income under the Adjustment Assistance Program. The most striking finding in this section of the report is the "jump" in SA utilization found among the 1991 and 1992 landing cohorts, particularly in contrast to incidences among the 1989 and 1990 cohorts. Given that over one-half of government assisted refugees in the 1991 and 1992 cohorts were still in receipt of SA in 1995 -- after three to four years of Canadian residency -- suggests that labour market adjustment was particularly difficult for these groups. Whether this is attributable to the fact that they landed during the depths of the recession or to other factors (such as human capital) is unclear.

The increase in SA utilization among recent cohorts is interesting when placed in the context of declining utilization of UI. Indeed, it is tempting to speculate that the drop in the incidence of UI receipt between 1992 and 1995 and the increase in the incidence SA receipt are two sides of the same coin. Given declining labour market prospects and "tighter" eligibility requirements for UI, refugees may have found that SA has been their only source of income support.

APPENDIX ONE

Table One. Number of Refugees Landing in Canada and Per Cent of Refugees Included in IMDB, 1980 to 1995

Landing Year	Number of Refugees Landed	Per cent of Refugees from Landing Cohort Included in the IMDB, by Taxation YEar															
		1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995
1980	40,928	27.1%	35.7%	35.8%	36.0%	36.4%	37.2%	38.7%	39.5%	40.1%	41.1%	41.7%	41.9%	42.8%	43.8%	44.3%	44.9%
1981	15,145		32.3%	44.4%	45.2%	46.0%	46.1%	47.6%	48.7%	48.8%	49.4%	50.0%	49.9%	51.1%	51.8%	52.4%	53.3%
1982	17,052			37.8%	51.5%	52.2%	52.5%	53.4%	53.5%	54.2%	54.5%	54.8%	54.6%	55.8%	56.7%	57.2%	58.0%
1983	14,167				35.6%	48.8%	49.7%	51.4%	51.8%	51.6%	52.1%	52.0%	52.2%	53.1%	54.1%	54.5%	55.2%
1984	15,769					33.0%	48.0%	49.7%	50.1%	50.2%	50.6%	50.4%	50.7%	51.5%	52.2%	52.5%	53.2%
1985	17,237						34.5%	47.6%	48.2%	48.6%	48.5%	48.4%	48.2%	49.3%	49.9%	49.5%	50.5%
1986	19,832							40.6%	49.9%	50.1%	50.8%	50.8%	50.4%	51.2%	51.8%	51.9%	52.5%
1987	22,346								41.2%	50.3%	51.2%	51.2%	50.9%	51.6%	51.8%	51.7%	52.2%
1988	27,516									39.9%	51.9%	52.1%	52.0%	52.7%	52.8%	52.7%	53.1%
1989	37,716										40.8%	48.8%	49.0%	49.8%	49.7%	49.4%	49.7%
1990	36,391											41.7%	47.5%	48.6%	49.1%	48.8%	49.1%
1991	35,594												47.5%	52.8%	54.0%	53.6%	53.9%
1992	36,808													49.6%	53.3%	53.6%	54.3%
1993	24,743														48.2%	51.6%	53.9%
1994	19,707															47.3%	51.8%
1995	27,615																48.6%

Figure 4B

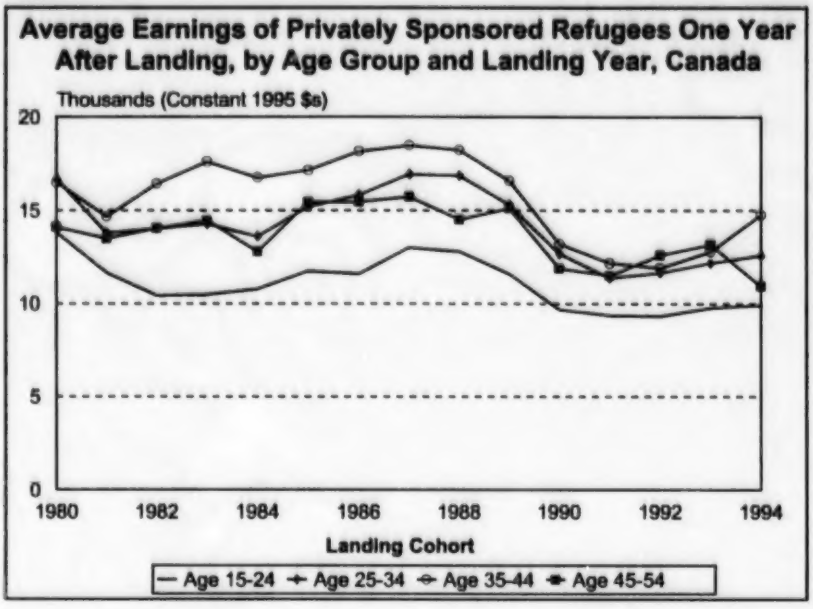


Figure 4C

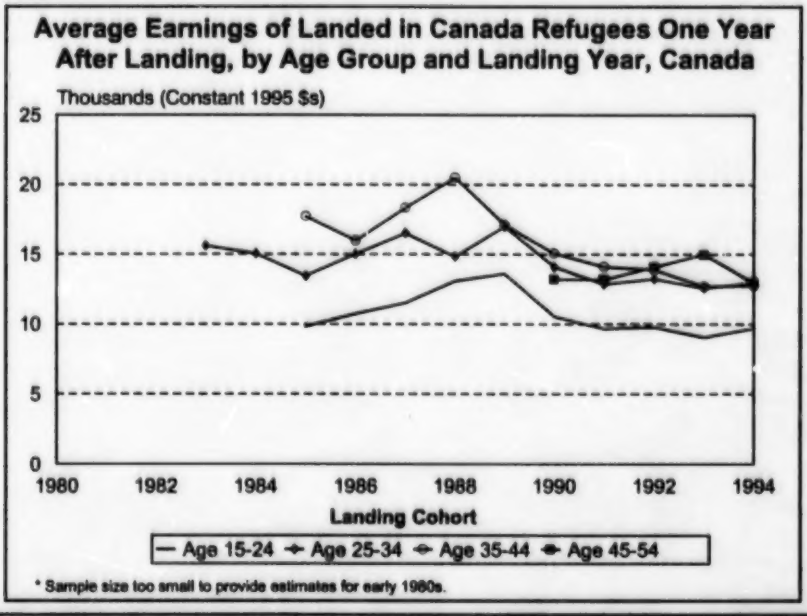


Figure 5B

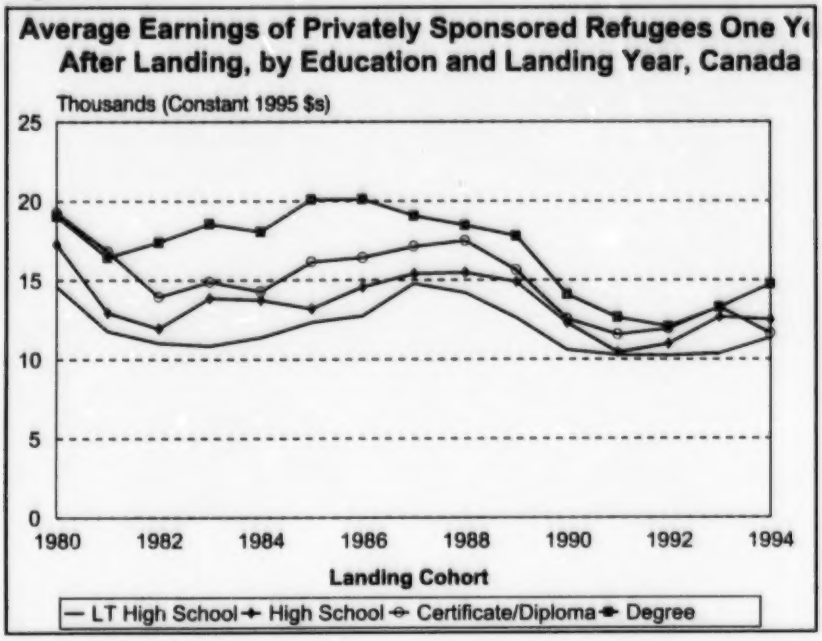
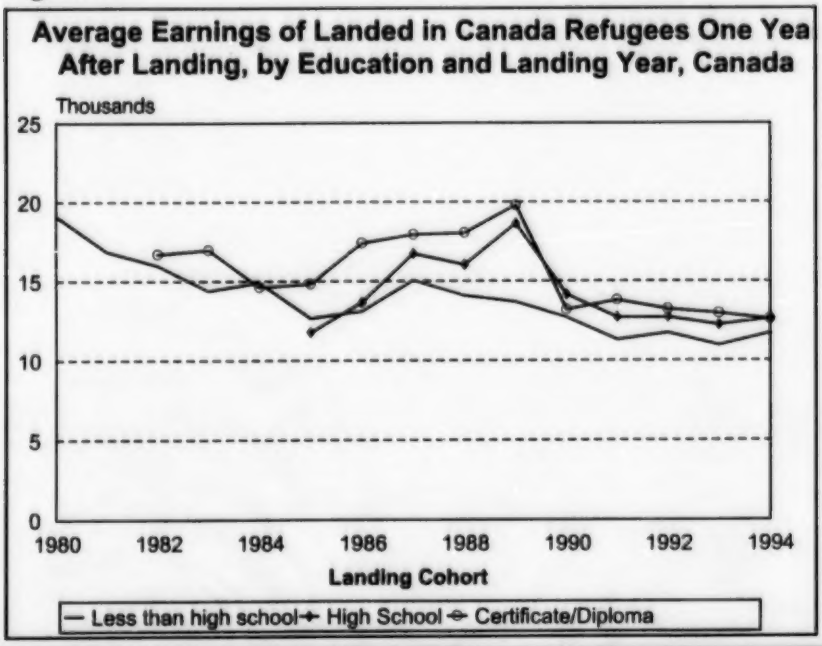


Figure 5C



ENDNOTES

1. All dollar figures have been put into constant 1995 dollars using the Consumer Price Index inflators reported in the *Bank of Canada Review*.These are as follows:

   1980 - 1.986607
   1981 - 1.768212
   1982 - 1.594982
   1983 - 1.508475
   1984 - 1.444805
   1985 - 1.390625
   1986 - 1.335000
   1987 - 1.278736
   1988 - 1.229282
   1989 - 1.171053
   1990 - 1.117155
   1991 - 1.057845
   1992 - 1.042155
   1993 - 1.023773
   1994 - 1.021423
   1995 - 1.000000

2. See previous endnote.

3. The actual landing year has not been used since we cannot identify persons who arrived late in the landing year and who consequently had part-year earnings. In the year after landing, all immigrants had been in Canada for a full twelve month period, making more accurate comparisons possible.

4. Prior to 1990, individuals with earnings below the basic personal exemption may not have had income taxes deducted from their pay. At the end of the year they would have had no reason to file a return since they would have neither owed taxes nor been eligible for a refund. From 1990 onward, these individuals would have had greater incentive to file a return since they would have been eligible for a GST rebate.

5. Through this section of the analysis , a crude measure of the "incidence of self-employment has been used. It has been calculated as:

$$\frac{\text{\# of refugees with self-employment income}}{\text{\# of refugees with self-employment income + \# of refugees with wages/salaries}}$$

A better specification of self-employment would be to identify refugees who income from neither wage/salaries nor self-employment, who had income from only one of these sources, or who had income from both of these sources. This would enable us to avoid double counting of tax filers and more precisely identify the sources of income received.

6. A common measure of UI beneficiaries is the B/U ratio, calculated as the number of UI beneficiaries as a proportion of the total number of unemployed workers -- i.e. those workers actively seeking a job. However, because the IMDB does not provide information on the number of refugees seeking employment the B/U ratio cannot be calculated. This alternative measure has been used instead

7. These figures differ from the changes documented in Tables 1 and 2 because a different denominator is being used. Tables 1 and 2 show UI recipients as a percent of all tax filers reporting earings. The CLC's figures calculate UI receipt as a per cent of all persons actively seeking work. See Canadian Labour Congress, *Fact Book: An Analysis of Bill C-12, The New Employment Insurance Act*. Ottawa: CLC, 1996.

8. The data in Figure 25 are shown in tabular form below allowing users to compare the incidence of SA receipt among government assisted refugees at various points in time after landing. Particularly striking is the increase at three years after landing, with SA utilization increasing from 34 to 56 per cent between the 1989 and 1992 landing cohorts.

Per cent of Government Assisted Refugees Receiving Social Assistance, by Landing Cohort and Years Since Landing, Canada various years

	Landing Year	One Year Since Landing	Three Years Since Landing
1989	Na	na (1990)	34 (1992)
1990	Na	na (1991)	46 (1993)
1991	Na	62 (1992)	56 (1994)
1992	62	69 (1993)	56 (1995)
1993	71	74 (1994)	na
1994	65	67 (1995)	na
1995	65	na	na

na - Information on social assistance is available only for the years 1992 to 1995.

9. In section three, the "incidence" of UI receipt was defined as the number of refugees who received UI benefits divided by the number of refugees with earnings. In the current section (section four) the "incidence" of UI receipt was defined as the number of refugees who received UI benefits divided by the total number of refugees in the IMDB. This adjustment was made so that a common denominator was used for UI and SA incidence.

10. In 1988 extensive changes were made to the income tax system which encouraged individuals with low incomes to file returns. Between 1987 and 1988, the number of

returns which were non-taxable (i.e. taxes were not owed) increased by about 730,000 (from 4,008,000 to 4,738,000) and the number of returns which were taxable decreased by 220,000 (from 13,064,000 to 12,844,000). The share of all taxfilers reporting earnings decreased markedly because of these changes.

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